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ADVERTISING OF FINNISH MUTUAL FUNDS

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- Objectives of the Study:** The aim of this study is to provide a new viewpoint to research of Finnish mutual funds. The hand-picked data set of Finnish mutual fund advertisements from the past decade is used to find answers to the following questions: i) Do advertisements provide investors with necessary investment information to make rational investment decisions?; ii) Are the ads using efficient advertising techniques suggested by prior advertising research?; iii) Does the company type (bank vs. non-bank fund families) affect the content of the advertisement?; iv) Does the content of U.S. mutual fund advertisements differ from the one of Finnish ads.
- Data:** The data-set of the study is gathered from two Finnish financial magazines *Arvopaperi* and *Talouselämä*. The whole data consist of 338 different bank and non-bank mutual fund advertisements from the start of year 1998 to year end 2007.
- Methodology:** Methodology of the study is content analysis, where each advertisement is coded for pre-determined appeals, cues and factors relating to advertisements' informational value to investors and efficient advertising techniques. The observed variables are recorded as being "present" or "not present" in the advertisements. Statistical analysis is used to determine whether the relative frequencies of particular variables differ significantly between different time periods and company types.
- Results:** Being in line with the findings of earlier studies, the observed Finnish advertisements do not provide investors with the needed information to make rational investment decisions. Communication of risk-return relationship or related costs is nearly non-existent in the advertisements. Additionally, the use of suggested efficient advertising techniques is minimal. The fund family type is found to have its reflection into the content of respective advertisements, as bank and non-bank advertisements deviate from one another when it comes to communication of risks and return, past performance information, company specifics and inclusion of cues highlighting experience and professionalism. Interestingly a cross-national comparison on ground of the findings of study in hand and prior U.S. study reveals a clear deviation in advertising contents. Rather abstract concept of risk-return relationship is communicated more often in the U.S. advertisements. Suggested justifications relate to differing maturities and distribution channel structures of the markets.
- Key terms:** Mutual funds, advertising, content analysis, informational value, advertising techniques, risk-return relationship, costs, and principal-agent problem.

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1. INTRODUCTION

1.1. Motivation of the study

Mutual fund markets worldwide have experienced notable growth during the past decades. In Finland, especially the past ten years have been an era of significant expansion, as the assets under management of Finnish mutual funds experienced over twelve-fold growth totaling 66 billion euros in the end of 2007¹. The growth of the markets has been noticed by academia, as vast amount of literature has been targeted to mutual fund markets. In addition to the expansion of industry, the Finnish mutual fund market is often considered as an exotic research field due to its strong and persistent bank dominance. In the end of 2007, the three largest banks controlled nearly 70% of the market².

As the financial markets and the supply of different financial instruments have developed hugely, the mechanics of the industry have been stressed in the research, while the issues of mutual fund advertising have been somewhat ignored. Until now, one of the dominant research fields on advertising financial services has been the investigation of possible gains that are realized through media investments. Often, the studied relationship is the amount of advertising and its returns for financial institutions in form of greater inflows. The academics seem to have reached a consensus on the positive impact of advertising on net inflows, as several studies have found the inflows of advertising funds and fund companies to be higher than their non-advertising comparables. However, the actual advertisements, including certain content and communication by which the greater inflows are persuaded to the funds have not been studied extensively. Until now, no research work has contributed to the issue in Finnish mutual fund markets.

By the lack of content analysis studies on Finnish mutual fund advertisements, the peculiar nature and notable growth of the market and the academically proofed positive impact of advertising to mutual funds external growth; I find the study of advertisements' ingredients interesting and important from both academic and practical viewpoints. In other words, it is interesting to examine what the mutual fund ads actually contain and are they

¹ Investment Research Finland, Monthly Statistics, January 2008

² Financial Supervision of Finland, Management Companies' Market Shares July-December 2007

providing investors information that prior research and the theory of finance suggest to be necessary when making rational investment decisions?

On the other hand, the rationality of investors' investment decisions has been questioned lately. If the sole purpose of advertising is to persuade individuals to buy the product or the service, could it be more profitable for the advertiser to provide investors with other information than the one suggested by the earlier findings and theory. Relating to this, it has been found that investors tend to run after good past performers, while for example the transaction costs are often ignored in the decision making process. When knowing this, would the advertiser build his fund ad on abstract concept of risk-return relationship or the total expense ratio of the advertised fund, so that the investor can compare the (possibly higher) costs of the fund to its competitors? Or would he present some past performance figures from what ever time period, in which the performance of the fund looks good on absolute terms or beats its competitors? How about using only brand constructive advertising messages, where the aspects of traditional information value concerning the product in question are totally ignored?

In current study, the hand-picked data set from Finnish financial magazines enables the investigation of advertising content from several viewpoints. Firstly, the overall nature of Finnish mutual fund advertising can be viewed from differing time periods and market conditions due to the rather long time span of the study. Secondly, the structure of the market creates interesting setup to study the possible differences between the bank and non-bank advertisers. Furthermore, the prior findings from the U.S. market act as an interesting baseline for cross-national comparison. In short, the contribution of the current study will be the introduction of new viewpoint to the research of Finnish mutual fund market and to enlighten issues relating to an element that seems to play important role in the external growth of the mutual funds.

1.2. Objectives and contribution

This thesis studies the print advertisements of Finnish mutual funds and fund families in 1998-2007. The investigation is segmented to three dimensions, relating to actual content and appearance of Finnish ads, deviations in the advertising contents of Finnish bank and non-

bank companies and to differences between the observed Finnish advertisements and their earlier inspected U.S. counterparts. The questions to be answered are:

- Do the observed ads provide investors with necessary information to make rational investment decisions? If the advertisements are poor in terms of their information value, do they then use techniques found efficient by prior advertising research?
- Does the mutual fund company type affect the content of advertisements?
- Does the content of Finnish ads deviate from the content of their U.S. counterparts?

The content related objective is based on the findings of prior research and the theory finance in addition to the suggestions of earlier literature on advertising. The other objective concerning the deviations in bank and non-bank advertisements is grounded on the strong bank dominance in Finnish market and banks' large customer base from other services that might be driving certain differences between the ads of the two company types. Lastly, the objective bringing a cross-national dimension to the study is founded on the expected deviations due to the differing maturities, size and distribution channel structures of the Finnish and U.S. markets.

The main findings of the study are that advertisements do not provide investors with necessary investment information. The results of the study are in line with the overall consensus of prior research work, contending that mutual fund advertisements are uninformative in nature (Jones and Smythe, 2003; Huhmann and Bhattacharyya, 2005; Cronqvist, 2006). In addition, advertisements are not using efficient advertising techniques widely, which has also been documented by Huhmann and Bhattacharyya (2005) in context of U.S. mutual fund advertisements. Regarding the Finnish mutual fund markets, the results indicate that banks use less cues and appeals that are considered as credibility enhancing information in their advertisements. Finally, the cross-national comparison of the found results to earlier findings from U.S. markets reveals that the communication of risk-return relationship is significantly more common in the U.S. advertisements.

1.3. Limitations of the study

Limitations of the study are mainly related to the unique nature of the whole thesis. Firstly, as the data is fully hand picked, the number of observations is restricted. Secondly, the examined advertisements are only from selected magazines, so the results can not be generalized straightforwardly to all print advertising of mutual funds. Thirdly, there are also issues of subjectivity in interpretation of different advertisements, which have to be taken in to consideration when assessing the main findings of the thesis. Finally, comparing of the previous findings on U.S. mutual fund advertising to the findings of the study in hand has to be done conservatively, as there are certain differences in the used methodologies. More detailed discussion of these limitations will be presented later on in the paper when above mentioned issues should be considered.

1.4. Structure of the study

The rest of the thesis is organized as follows. Chapter 2 presents empirical background of the study and Chapter 3 introduces the Finnish mutual fund markets and legislative aspects relating to fund advertising. Chapter 4 presents the hypotheses of the study. After the base framework of the study has been constructed, Chapter 5 discusses the data source and collection with descriptive statistics of the data. Chapter 6 presents the methodology of the study. The empirical results and analysis are presented in Chapter 7 and finally Chapter 8 concludes the thesis by providing main findings and their rationalization with possible avenues for future research.

2. EMPIRICAL BACKGROUND

The second chapter aims to provide background information, on which the framework of the study can be based on. The chapter is organized in the following way. The first section 2.1 presents some selected academic literature on the incentives for advertising. The second section discusses the determinants of advertising content, excluding legislative aspects, which are presented separately in Chapter 3.2. The last section 2.3 presents prior research work on content of mutual fund advertisements.

2.1. *Why advertise?*

Regardless of the industry, the main and most traditional logic behind advertising is to bring the company and the product information to people's awareness and to guide people to the distribution channels of the product. According to Sirri and Tufano (1998) the marketing and media coverage of the mutual funds lower the high search costs of investors. From the viewpoint of the distributor, the impact that advertising has on the product demand due to enhanced awareness of people, is naturally the factor that determines overall use of advertising. It seems that advertising is considered as demand increasing activity in financial services sector, as companies place enormous amounts of money to marketing and advertising of their products and services.

The superficial observation of the positive returns of advertising has also got noteworthy academic proof. Cronqvist (2006) divides the gained utility on advertising in categories of direct and indirect returns. Widely studied direct returns are seen as the increase in mutual fund's demand due to advertising and its positive impact to investors' decisions to choose the particular fund. Also the indirect effects have been studied, as Reuter and Zitzewitz (2006) suggest that some personal finance magazines (for example Money) tend to recommend their readers more the funds that have previously advertised in the same magazine. As authors proof the positive impact of the editorial recommendations to fund flows, there also seems to be indirect returns of advertising.

With regard to direct returns of advertising, several studies confirm the positive effects of advertising on mutual funds' external growth. Jain and Wu (2000) discover the positive effect of advertising from the greater (even 20% higher) fund inflows within the advertising

equity funds compared to their non-advertising control group. Furthermore they also notice that funds that advertise more often are also to have greater fund inflows. Evidence from Finland is provided by Kasanen, Lipponen and Puttonen (2001) who also investigate the determinants of external fund growth. They find that advertising has significant positive effect on the fund inflows when the aggregate demand for the funds is positive. On contrary, advertising has no effect on the fund growth during negative aggregate fund demand. Similar results from slightly differing viewpoint are presented by Barber, Odean and Lu Zheng (2005), who contend that advertising of the mutual funds works, as the fund flows have been more positive among the funds charging higher 12B-1 fees³. The logic behind their statement is the assumption that higher 12B-1 fees signal higher advertising expenditure and larger scale advertising. Gallaher, Kaniel and Starks (2006) study the advertising-flow relationship on mutual fund company level and find that high relative levels of advertising are significantly related to higher inflows. A Swedish viewpoint has been presented by Cronqvist (2006) who finds that advertising has significant effect on investor's portfolio i.e. fund choice. The latest study on the impact of advertising discovers different effects for varying fund classes and distribution channels (Yankow, Smythe, Lesseig and Jones, 2007). They state that advertising has positive influence on the demand for the funds in general, but stronger impacts are observed in the broker-sold distribution channel.

In addition to the inflow based motives for the advertising, also another viewpoint could be taken. Relating to different market structures and distribution channels, Korpela and Puttonen (2006) state that in Finland, the banks have had the advantage of their vast branch networks and loyal customers. The large base of depository customers gives the banks also the chance to directly market their other services. The non-bank service providers may lack the existing customer base from other operations and thereby they can encounter the challenge of attracting new customers by different means e.g. TV commercials and print advertising. As a result, for companies operating solely in the mutual fund business, the advertising may play more important role than to fund families in possession of direct marketing channel from other operations. All in all, the motives for advertising seem reasonable as the presence of large scale mutual fund advertising is apparent and the academic proof of both the direct and the indirect returns has been presented.

3 In U.S. 12B-1 fees are provision for the mutual fund to charge from its customers in order to cover the distributional expenses of the fund i.e. marketing and advertising expenses. The general justification of the fee is that by investing in the marketing the fund may realize economies of scale and thereby lower its management fees for its customers.

2.2. Determinants of advertising content

Previous research has found that advertising content is influenced by several factors including culture, demographic and social characteristics of the target audience, medium carrying the advertisement and time period when the advertisement is published. Assuming that advertisers know their target audience, also the decision making processes of the consumers affect the observable content of the ads. This chapter presents literature on these generally acknowledged determinants of advertising content, yet maintaining the focus on the findings of previous research on the field of financial services advertising.

2.2.1. Culture

In cultural context, Albers-Miller and Straughan (2000) provide a cross-national comparison of advertising appeals from eight non-English speaking countries. Their content analysis on financial services advertisements in financial magazines of the target countries reveal that cultural values and advertising practices have relation. More specifically, the authors discover cross-national differences in whether the financial service ads had dominating appeals relating to service quality, innovativeness, financial value or appeals communicating pleasing service environment or family values. The service quality appeals include factors from the product attributes to the service delivery and knowledge of personnel, whereas the financial value appeals relate to convenience and cost issues, communicating that service is very good value for the money. According to Albers-Miller and Straughan (2000), in Finland the financial intermediaries are mostly using the appeals of service quality. The second most important appeal group communicated the innovativeness and modernity of the products or services. Third most used appeals were the ones communicating the financial value. They further report that also U.S. advertisements highlighted the service quality the most, following with the financial value appeals. In contrast to findings from Finland, the use of appeals relating to innovativeness and modernity are not present in U.S. advertisements. Relating to the importance of service quality, the earlier findings of Holstius and Kaynak (1995) on Finnish bank customers support the findings of Albers-Miller and Straughan (2000). According to Holstius and Kaynak, Finnish bank customers seem to highly appreciate the fast and efficient services in their bank selection criteria, motivating also the use of service quality appeals in the advertising.

2.2.2. Advertisement carrying media

Also the medium carrying the ad has its effect on the content of particular advertisement. Compared to broadcast media, the print media has possibilities for significantly longer message lengths and processing times (Abernethy and Franke, 1996). More specifically, Korkeamaki, Puttonen and Smythe (2007) suggest that the non-perishable nature of the print media ads enable investors to review the advertisement information after their initial publishing and thereby the revision of product information is possible. As a result, print media ads can contain more specific information on the product, which would be difficult in the TV and radio commercials due to their short duration and their perishable nature. However, also the users of print advertisements confront certain limitations in form of space constraints and thereby they also have to make some selections on what elements or information is to be included.

2.2.3. Time period

Time period when advertisements are published naturally affects their content. In long-term, the advertising content can be influenced by the overall development of the industry or the society. During the past decades, the birth of the Internet and its vast spread utilization has drastically changed the communication between different service providers and consumers. As companies can present unlimited amount of information, on which people get quick access heedless of time and place, the need for presenting certain product or company specific attributes in traditional advertising media could have been diminished. Also the development of the industry in question can have its effect. In case of U.S. mutual fund industry, Jones and Smythe (2003) report an increase in the inclusion of independent ratings in the ads during the past two decades. The finding could be rationalized by the establishment of rating agencies, being created as an answer to the increased demand for independent information and analyses on the forever expanding mutual fund sector, with numerous service providers and a myriad of complex but similar products.

On the other hand, variability in advertising content can as well be found within shorter time periods. Mullainathan and Shleifer (2005) examine all the advertisements of *Money* and *Business Week* in 1994-2003 and find that the proportion of ads highlighting past performance is highly dependent on the current market situation. During the bullish markets, before the stock market bubble burst, the advertisements contained significantly more cues of past

performance than after the 2000. According to authors, the advertisers seem to stress and highlight in their ads the things that they expect consumers to take positively. As an example, when markets are doing well, the advertisements contain information on good absolute returns and more growth oriented products. However, during more bearish market conditions, like the period after the stock market bubble had burst, the advertisements tend to stress safety and more conservative products as also the preferences of investors' are inclined to such products. The current study also provides a slight glimpse on these issues in Chapter 5.2., where the data and the overall nature of the observed advertisements in differing time periods are discussed.

2.2.4. Social and demographic characteristics of target audience

Considering the social and demographic characteristics of the target audience, a few examples could be brought up. Firstly, the differences in investing behavior between genders have been discussed in the literature. Lawson, Borgman and Brotherton (2007) stress the increasing importance of female investors as an income source for financial services providers and the discrepancies in the decision making processes of men and women. Moreover, it has been found that men tend to behave more like typical over-confident investors, who generally have too optimistic beliefs of their skills and abilities to forecast the future (Barber and Odean, 2001). In light of such findings, also the content of advertisements targeted to audience of males could differ from the ones targeted to females. However, Lawson *et al.* (2007) do not find notable differences between ads targeted differing genders, contending that advertisers are not able to utilize the differentiation of marketing messages to male and female audiences. On the other hand, they find that certain differences exist between the ads of gender specific periodicals and mixed-gender magazines.

Secondly, the effect of knowledge and expertise on perception of marketing messages has been discussed in the literature. In context of mutual funds, Jordan and Kaas (2002) examine decision making processes of private investors from a viewpoint of judgmental heuristics. Referring to a study of Kahneman and Riepe (1998), the authors describe the judgmental heuristics as "often sub-optimal information processing strategies, so-called 'mental shortcuts' or 'rules of thumb' which are used systematically but often unconsciously to simplify decision making". The main finding of the study is that knowledge or expertise in investing does not affect whether the judgmental heuristics are used, but it is shown that

among less informed investors, the impact of the heuristics biasing the selection is stronger than among more knowledgeable investors. Same kinds of findings have been presented by Kaustia, Alho and Puttonen (forthcoming) who studied the effect of behavioral biases in individuals' predictions of future stock returns⁴. The study was based on survey of students and business professionals. The authors contend that expertise attenuates the effect of behavioral biases in individuals' predictions of future stock returns, as university students' predictions seem to be exposed to greater bias than the ones of business professionals. In addition, when students were divided into two groups consisting of the ones taken only the elementary course of finance and the ones majoring in finance, the less educated students had more biased predictions. However, Kaustia *et al.* (forthcoming) further state that the relation between expertise and the effect of biases have limits, as among the studied business professionals, career length or job position did not anymore influence the effect of bias. The above discussion suggests that advertisements targeted to audiences of differing expertise levels could consist of varying ingredients as certain elements may have greater impact on the decision making of less informed investors. These issues are further elaborated in the next chapter discussing the complex nature of financial decision making processes.

2.2.5. Complex decision making processes

Research in psychology suggests that individuals decision making process can be affected by several biases. Among others, perhaps the most studied and most often acknowledged ones are related to overconfidence, framing and anchoring effects. According to Thaler (2000), individual's forecast about the future is biased due to our overly optimistic expectations and overconfidence i.e. our tendency to flatter our abilities and forecasting skills.

On the other hand, the framing effect is about how individuals' decision making process can be affected by differing presentation of particular problem. In other words, individuals' preferences on certain decision may reverse when the same problem is presented in some other verbal form or from some other perspective. Various examples of the framing have been presented, yet the most recognized one would presumably be the one presented by Tversky and Kahneman (1981). They find that individuals' decision vary significantly whether they have to make decisions in context of saving lives (positive context) or losing lives (negative

⁴ Kaustia et al. (forthcoming) focused on the anchoring effect affecting the future stock return estimates. The anchor effect will be further elaborated in the next Section 2.2.5.

context), although the problem and the actual outcomes are exactly the same⁵. In context of mutual fund advertising, a similar type of example could be situation where a company has only negative past returns to present. Losing money and the value of assets in economic downturn might not be flattering and inclusion of such information will presumably not do the trick. However, presenting the smallest relative losses against fund's competitors, by stating "we lost only 4,8% of the net value" could be noted in a totally different way.

Lastly, the anchoring effect is related to situation where individuals have certain starting or anchor values, on which the final decision or estimate of particular problem is based. To be specific, the decision maker may first focus on a given or self deducted anchor value and after that she makes some adjustments to it to arrive to the final decision. However, often these adjustments are not sufficient resulting in a biased result. Kaustia *et al.* (forthcoming) find that in their survey, the respondents tended to base their estimates of future stock returns to disclosed information on past historical returns. Moreover, also in the case where respondents had to estimate past returns by themselves, their future returns were close to the deducted past returns. A natural implication of these findings would be the effect of disclosed past performance information in the advertisements or the phenomenon of investors running after the good past performers.

In context of advertising, one might expect that awareness of the aforementioned biasing elements in individuals' decision making processes could have their reflections also in the decisions to include certain elements and appeals to the advertisements. More specifically, does the advertiser present important information on risk-return relationship and costs? Or does he present fund's past returns? Is the past performance presented in absolute or relative terms? On the other hand, scenario could be viewed from the opposite viewpoint, as certain

⁵ Tversky and Kahneman (1981) used the following story and problem set-up to investigate framing and individuals' response preferences:

"Imagine that the U.S. is preparing for the outbreak of an unusual Asian disease, which is expected to kill 600 people. Two alternative programs to combat the disease have been proposed. Assume that the exact scientific estimates of the consequences of the programs are as, follows: If Program A is adopted, 200 people will be saved. If program B is adopted, there is a one-third probability that 600 people will be saved and a two thirds probability that no people will be saved."

When the problem was presented as above, 72% of respondents chose program A and only 28% chose program B. After this, the same story was presented to other group of respondents, where the reference point of the problem was changed to lost lives (instead of saved lives), while the outcomes remained the same. However, to second problem the distribution of responses was reversed almost perfectly, as only 22% of the respondents chose program A and 78% chose program B.

studies have examined how particular informative elements or appeals of the ads affect individuals' decision making.

Prior studies have reported that advertising content and presentation of different information in advertisements have significant effect on the investors' decision making process. More specifically, several studies have challenged the neoclassical, rational consumer choice model. Bertrand, Karlan, Mullainathan, Shafir and Zinman (2005) define the classical consumer choice model as a process, where important decisions are made by weighting the costs and benefits with respect to stable preferences of the decision maker. However, they further suggest that this traditional model is contradicted in the field of psychology, where the stress is laid on the context of marketing message and cognitive limitations of the decision making individual. In their study of consumer credit markets in South-Africa, they firstly discover a significant (and natural) negative relation between offered interest rates and consumers' decision to take-up the credit offer. This, holding other things equal, would conform to the traditional model, due to the investors' avoidance of higher cost instruments. However, Bertrand *et al.* (2005) further report that the pooled impact of different positive psychological cues included in the ads corresponds to the effect of considerable decrease in the offered interest rate. The latter finding provides proof of the complexity of the consumers' decision making, where the selection of the service or product is not only contingent on the product information, but also on the way the attributes and characteristics of the product are communicated. Relating to this, Jordan and Kaas (2002) find that in mutual fund advertisements the different anchoring values such as past performance have notable effect on the return expectations of the investors, while the perceived risk is not affected by them. On the other hand, it is found that brand awareness and use of emotional appeals lowers investors' perception of risk.

2.3. Findings of prior studies

The final section of the second chapter presents the earlier related studies and their main findings. First section presents overview on the past studies on mutual fund advertising content, while the rest of the chapter elaborates on particular investment information, advertisement appearance and convenience issues related aspects in their own separate sections.

2.3.1. Overview of the prior studies

The prior studies that discuss the mutual fund advertising content include three from U.S. markets and one from Sweden. Table 1 summarizes the selected studies, their target market, used data sources and examined years.

Table 1. Prior research on mutual fund advertising content

This table presents the related studies on content of mutual fund advertisements with information on investigated market, used data sources and the years under examination.

Study	Market	Data source (magazine/database)	Year(s) examined
Jones & Smythe (2003)	United States	Money	1979, 1989, 1999
Huhmann & Bhattacharyya (2005)	United States	Money and Barron's	1999-2000
Mullainathan & Shleifer (2005)	United States	Money and Business Week	1994-2003
Cronqvist (2006)	Sweden	Marketwatch-database	2000

Earliest study is the one of Jones and Smythe (2003), investigating solely the information content of the U.S. mutual fund ads from Money magazine. They find that between 1979-1999 mutual fund ads have started to place more weight on discussing past performance, while the communication of pricing information and expense ratios has decreased. Additionally, they state that advertisements have started to include more information that is not directly related to the particular fund or its attributes, but discusses and highlights the specifics of the service providing company itself. In overall, authors consider fund advertisements as uninformative in nature. While Jones and Smythe (2003) approach the advertising content objectively, Huhmann and Bhattacharyya (2005) have starting point of expected contents of the advertisements. They base their hypotheses on suggestions of financial theory and previous findings from the field of finance and advertising. The main question is do mutual fund advertisements provide investors with necessary information on which they can base their

investment decisions? The necessary information is classified to risk-return relationship, cost and agency-problem related information. The main finding of the study is that advertisements are uninformative, leaving investors without the needed information.

As mentioned earlier, totally different approach is provided by Mullainathan and Shleifer (2005) who examine the advertising content of U.S. mutual funds from the viewpoint of stock market indices and their relation to the mutual fund advertising content. To be specific, the content analysis of their study is focused on the nature of the advertised product and the inclusion of past performance information. Main finding of Mullainathan and Shleifer is that advertisers alter their communication to match different expectations of investors in differing market conditions. During an upswing the advertisements are growth product oriented and include more past performance information, whereas during a downturn the ads tend to stress conservativeness by communicating safer products with less past performance information. Finally, the latest study of Cronqvist (2006) investigates the content of Swedish mutual fund ads in 2000. His conclusions support the earlier findings of Jones and Smythe (2003) and Huhmann and Bhattacharyya (2005) as he also contends that advertisements seem to provide only little information to their readers.

2.3.2. Risk-return relationship

Under assumption of rational investors, the risk-return relationship or risk-return tradeoff has important role on investment decisions. More specifically, the relationship provides investors information on which they can base their investment decisions and enables them to make investments that match their personal risk tolerance. Examples of information on the relationship would be presentation of risk-adjusted returns or more verbal expressions of the risk-return trade-off.

Until now, the study of Huhmann and Bhattacharyya (2005) has been the only one examining the communication of the risk-return relationship in the mutual fund print advertisements. They find that advertisements seldom discuss the risk-return relationship. In their study, the communication is divided in to explicit and implicit categories, where explicit communication includes discussion of risk adjusted returns such as Sharpe ratio or risk-return relationship by expressions such as “higher returns carry greater risk”. Implicit discussion of the relationship is considered as communication where the both risk and return are discussed

in the ad and in similar manner. According to the authors, around one third of the advertisements discuss the risk-return relationship explicitly. Moreover, they do not find a clear pattern of more implicit communication of the relationship, as risks and returns are not mentioned in the ads in similar manner. Jones and Smythe (2003) do not discuss the risk-return tradeoff, but conclude that mutual fund advertisements seldom discuss aspects of risks in their advertisements. On ground of these findings, the communication of risk-return relationships seems to be minimal in the examined advertisements of U.S. mutual funds.

2.3.3. Costs

Cost or price of a product is often seen as direct information that can be well assessed before the purchase of the product. Additionally, different transaction costs in mutual fund investing account notable amount of money in real terms when the transactions are realized. Despite the important nature of cost information, its broad existence in advertisements has not been documented. Furthermore, there seems to be some discrepancies between different markets whether the pricing information is communicated or not. According to Huhmann and Bhattacharyya (2005) less than 40% of the ads of Money and Barron's in 1999-2000 contain any information on the transaction costs.

The lack of cost information has also been discovered by Jones and Smythe (2003) who find that in 1999, of all the advertisements in Money magazine around 50% include information on costs. The results of the both studies are quite similar when taking into consideration that Jones and Smythe (2003) have a bit wider explication for the cost issues. Interestingly, the snapshot study of Jones and Smythe (2003) also reveal differences between time periods, as they find that in 1979 over 85% of the ads contained price related information. There seems to be clear change in the nature of U.S. mutual fund advertising in terms of costs. One of the posited rationalizations is the increased number of different channels where product information can be presented. As Internet acquired a persistent foothold as one of the main communication channels of the companies in late 1990's, advertisers may have found it to be better place to present product information. Meanwhile, the traditional print advertisements may have started to focus on other product attributes or pure persuasion of the reader.

Some findings on advertisements' cost communication have also been discovered from Scandinavia, as Cronqvist (2006) finds that in dollar terms only 13,5% of Swedish mutual fund print advertisements contain pricing information and less than 1% included information that would enable comparison of the funds total expense ratio to its rivalries⁶. The deviances in presented findings of U.S. and Swedish ads are most probably due to different definitions of cost communication. Cronqvist (2006) discusses cost and price related cues, but does not specify different cues of cost issues, whereas Jones and Smythe (2003) count also the minimum investment requirement and Huhmann and Bhattacharyya (2005) commission fee special offers as cost information. In both studies, the relative amounts of these information peaces are dominant of the cost issues.

Regardless of the differing definitions of cost communication, the U.S. advertisements may still include more cost cues. Possible reasons could relate to the fundamental differences between the examined markets. U.S. mutual fund markets are mature and more developed when compared to the Scandinavian markets. The overall financial literacy of more mature markets could be higher than the developing markets and thereby the advertisements could contain more specific information on the products. In addition, the fundamental differences in product distribution channels between U.S. and European mutual fund markets (see for example Otten and Schweitzer, 2002) could play a role in the differing cost communication of the advertisements. In Europe and especially in Scandinavia, the distribution channels of the funds are more bank-centered and the funds are sold directly to the retail investors by mutual fund families. On contrary, in U.S. the funds are marketed to both private investors and brokers who re-distribute the funds to the private investors and institutions. Thereby, it could be argued that the target audience of the advertisements differs between the two markets. Due to these structural differences, the advertising in Scandinavia is mainly directed to private investors on contrary to U.S. As said before, the expected expertise of the target audience and their decision making criteria could affect also the information content of the ad. More specifically, Jones, Lesseig and Smythe (2005) find that financial advisors consider the information on operational expenses more important than individual investors, which could

⁶ Cronqvist (2006) measured the nature of the advertisements in dollar terms. In other words, 13,5% of the total amount dollars were invested in advertisements containing information on pricing. He also brings forth an interesting viewpoint on the finding. He suggests that one explanation for the lower proportion of the ads including the fee cue might be the fact that investors get the message of pricing information straight away and thereby additional communication is not needed. On the other hand, advertisements using some other cues might need repetition resulting higher advertising expenditure.

result in relatively larger proportion of the cost communicating in markets where the advertising is directed to private investors, brokers and financial advisors.

Despite the differing findings from the two markets, it seems the mutual fund families do not consider their print advertisements as a primary channel for cost communication. The findings from U.S. markets represented less than half of the samples, although they included communication that strictly speaking is not too specific cost information. Moreover, it was brought up that only fractional number of advertisements would enable rational comparison between different products. Questions arise whether advertisers see that cost information is easier and more practical to present in other sources such as Internet and fund prospectuses.

2.3.4. Agency-problem and credibility enhancing information

In business where the products carry higher risks and may have significant wealth effects on customer, companies need credibility to sell their products and services. In mutual fund industry, investors place notable amounts of money to investments that are managed by other people, which creates room for agency-problem related prejudices. According to Huhmann and Bhattacharyya (2005), the distrust arising from the principal-agent problem can be mitigated by inclusion of credibility enhancing information to the advertisements. They list several information peaces or cues that enhance the credibility of the service provider. These information include communication of fund's or fund family's stability; including the reputation and tenure of the fund manager, age of the fund and the years it has been selling them and the amount of assets under management. Also the presence of company-sponsored and independent information on past performance or ratings are considered as important information when trying to mitigate the negative effects of agency issues. Actually, the historical return and rating information of the ads are the most interesting ones of the credibility issues, as there is quite extensive academic literature on their strong presence in the ads and their effect on individuals' investment decisions.

The historical returns are contradictory issue in finance and the existence of the performance persistence is widely studied. In other words, the question is whether the past well or badly performed funds will continue to do so also in the future. Latest studies on performance persistence include Jain and Wu (2000), who find that the funds advertising the good past returns have significantly worse post-advertising performance compared to their

control group. A finding like this suggests the avoidance of such advertising funds. However, according to authors, the inflows for the advertised funds are almost 20% higher than the ones of their non-advertising benchmarks. Additionally, Cronqvist (2006) finds that funds advertising with performance cues attract greater inflows than funds using other cues in their advertisements. Furthermore, studies by Ippolito (1992) and Sirri and Tufano (1998), indicating the greater fund inflows after stronger performance, but relatively lower outflows after worse performance, support the idea that mutual fund advertisers have an incentive to highlight the past good performance. Moreover, similar evidence from Finland is provided by Kasanen *et al.* (2001), whose study investigates the determinants of mutual fund external growth within different distribution channels. They contend that in Finland, among the bank related funds the investors are somewhat indifferent with the past performance. On the other hand, the demand for non-bank funds is positively related to relative good short-term past performance. In general, the literature proposes that investors' investments decision may be driven by knowledge of fund's good past performance.

In addition to basing their investment decisions to past performance, investors also use different fund ratings provided by agencies such as Morningstar. According to Capon, Fitzsimons and Prince (1996) the past performance rankings and performance track record were most important selection criteria employed by the over 3,000 U.S. investors who responded to their questionnaire of information sources and selection criteria of mutual funds. Moreover, Del Guercio and Tkac (2007) state that the use of ratings is common among investors and some investors may even base their investment decision solely on the ratings. Additionally, the authors discover a significant positive impact of the five-star Morningstar ratings on fund flows. In Finland, a similar study by Knuutila, Puttonen and Smythe (2007) reveals that among non-bank funds the fund flows followed same pattern as the ones in the U.S. Interestingly, the findings concerning the bank managed funds were different as there was no observable pattern between the ratings and fund flows.

Huhmann and Bhattacharyya (2005) report that around 60% of the U.S. mutual fund ads contain some credibility enhancing information cue. The most used credibility cues are independent fund ratings, which account for almost one third of all ads. Independent and company sponsored information on past performance is mentioned in every fifth advertisement. Also the personal reputation of fund manager is rather commonly used way of assuring the investors of fund's credibility. Jones & Smythe, (2003) find that in 1999 over

50% of the ads contained past performance information and around 47% highlighted independent ratings from Morningstar or Lipper. Additionally, Mullainathan and Shleifer (2005) find that in 1994-2003 around 60% of the fund ads in Money and around 50% of the ads in Business Week communicate past returns in some way. The differences between the results are supposedly due to the differing data sources and time periods. For the purposes of cross-national comparison, Cronqvist (2006) finds that in Sweden, mutual fund advertisements disclosing the past performance or ratings of independent agencies accounted for over 43% of total ads. However, as his findings are based on pooled observations of performance and rating information, the direct comparison to U.S. studies is not applicable.

Nonetheless, the findings of the presented studies support each others findings and could be summarized in a way that advertisers consider the credibility issues important and often communicate the quality or trustworthiness of the service. Furthermore, the use of past returns and statements of the independent entities are common when some kind of credibility information is disclosed. To contend, the prior findings from U.S. and Swedish markets, added with the findings of Kasanen *et al.* (2001) and Knuutila *et al.* (2007) concerning the differences between the players in Finnish market indeed create an interesting platform on which to study the possible reflections of these issues in content of Finnish bank and non-bank mutual fund advertisements.

2.3.5. Perception and readership of the advertisements

Advertising research has found that several aspects may enhance the perception and readership of the advertisements. Relating to perception, it is commonly acknowledged that the bigger and more colorful the ads are, the better they are noticed from the magazines. Additionally, several factors have been discovered to enhance the readership of the ads. Among others, these include use of visuals and short text length. Moreover, it has been discovered that more innovative methods, such as inclusion of celebrity endorsements, unique-selling proposals i.e. brand differentiating messages and emotional appeals may more efficiently persuade people to read the advertisement.

Huhmann and Bhattacharyya (2005) find that majority of the advertisements in Money and Barron's magazines are large in size, but the coloring of the ads does not conform to the expectations of enhancing the perception. The authors comment that whereas the size of the

mutual fund ads was in line with the ads of other products, the color usage was poorer among the fund advertisements. Additionally, authors state that advertisers do not seem to put too much weight on the ad visuals and the copy length is found to be rather long, both aspects suggesting lower readership. Furthermore, Huhmann and Bhattacharyya (2005) find no focal evidence on advertisers' use of unique-selling proposition. The mutual fund advertising seems to be conservative in nature, having only few cues on uniqueness of the product or service provider and their superiority over the competitors. Finally, most of the ads are based on rational appeals stressing the practicality of the service or products.

2.3.6. Convenience appeals and consumer's decision making process

As it was pointed out earlier, different convenience issues may influence individuals' choice. The convenience appeals are considered to signal the value of the service for the customer. In other words, special offers, simplicity and ease of using the service and promises of individual service are used to assure the customer that the service is worth the money. Huhmann and Bhattacharyya (2005) find convenience appeals to be almost non-existent in mutual fund advertisements. Additionally, Jones and Smythe (2003) discover that in 1999 around one third of the advertisements communicated the excellent customer service by for example highlighting the ease of contacting the fund or its personnel. On the basis of these results, the use of convenience appeals appears to be quite minimal, although the academic literature would suggest its substantial use. Again, the findings of the two studies are not directly comparable, due to the differing classification of the observed cues.

3. MUTUAL FUND MARKETS AND LEGAL FRAMEWORK

The following chapters present the Finnish mutual fund market and legal framework on mutual fund advertising. More specifically, the development and structure of Finnish mutual fund market is presented with some comparable information from the U.S. markets. In latter section, also the legislative issues of the two markets are set against each other to investigate whether there are aspects that could complicate the comparison of advertising between the two markets.

3.1. Finnish mutual fund markets

The overall development of the mutual fund markets and general market conditions are considered to have notable effect on the amount and nature of advertising in particular time periods. Thereby this section presents the development and remarkable growth of Finnish mutual fund market in years 1998-2007 with some comparables to the overall development in the Europe and in the United States. Also the structural discrepancies relating to distribution channels of Finnish and U.S. markets are illustrated to set up the cross-national comparison of the ads.

During the past decade the financial markets all over the world have experienced notable changes. In Finland, the changes have mainly concerned the amount of private wealth to be managed by the financial intermediaries, the number of different service providers and their widened product offering. According to Statistics Finland⁷, the amount of households' financial assets was 97.5 billion euros in 1998. However, by the end of year 2006 the households' total assets were already over 191 billion euros. While the overall wealth of the households has increased, also the allocation of the financial assets has changed. In 1998 cash, transferable and other deposits represented 42% of total household assets when in 2006 the corresponding figure was already fewer than 30%. Furthermore, during the same period the investments in quoted shares, other shares and equity and mutual funds increased from 36 billion to over 85 billion euros. This structural change in the investment mentality has also brought new players to Finnish financial intermediary industry.

⁷ Statistics Finland, <http://www.tilastokeskus.fi/til/rtp/2006/>

One of the real winners in the growth and development of Finnish financial industry has indisputably been the mutual fund sector. Although the industry took its first steps as late as in 1987, compared for example to U.S. where the first mutual fund was established as early as in 1924 (Investment Company Institute, 2007), the growth of the industry has been immense. According to Korkeamaki and Smythe (2004), in 1996-2000 the growth of Finnish mutual fund market accumulated to 71%, being strongest among the 16 European countries observed by the European Federation of Funds and Investment Societies (FEFSI). Figures 1,2 and 3 demonstrate the growth of Finnish mutual fund market by presenting the total net assets, total net inflows and the total number of home-domiciled funds in Finland between years 1998-2007. As Figure 1 presents, the total net assets managed by the Finnish mutual funds have grown immensely. During the period, the total net assets of the Finnish mutual funds experienced almost twelve-fold increase, as the net assets amounted to 4,8 billion euros in 1998 but totaled 66 billion euros in the year end 2007. At the same time, the net assets of U.S. mutual funds doubled and the growth of mutual funds in overall Europe was three-folded. It is clear that the net assets have increased world widely due to the positive trend in the capital markets in general. However, as the Figure 2 indicates, in Finland the growth has been substantial also in terms of the mutual funds' net inflows, which present more clearly the directions of the money in particular market conditions. The all-time high was reached in year 2006 when the net inflows exceeded 12 billion euros. Noteworthy is also the slow or stagnant growth during the years 2002 and 2003, which is presumably due to the more conservative expectations of the markets.

In addition to the net asset and inflow indicators, the growth of the market is apparent when looking the total number of home-domiciled funds (Figure 3). According to Investment Research Finland, the total number of all the Finnish mutual funds has increased from 120 in the end of 1998 to 516 home-domiciled funds in the year end 2007. Also the growth in the number of funds shows to slowdown during the 2002-2003. Furthermore, the statistics also reveal that as the number of service providers was 14 in the beginning of 1998, the corresponding number had increased to 24 by the end of 2007. Competition within the financial industry has intensified as new entrants have started to penetrate in to the market to compete on the management of private wealth. Although the consolidation in the industry has downsized the number of concurrent service providers, there is no doubt about more fierce competition.

Figure 1. Total net assets of Finnish mutual funds in 1998-2007

This figure presents the total net assets of all Finnish home domiciled mutual funds in years 1998-2007 in millions of euros. The x-axis is the year which is observed. The y-axis is the amount of total net assets in millions of euros.

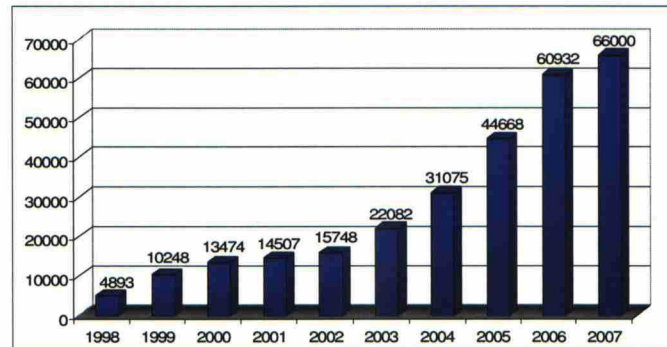


Figure 2. Total net inflows of Finnish mutual funds in 1998-2007

This figure presents the total net inflows of all Finnish home domiciled mutual funds in years 1998-2007 in millions of euros. The x-axis is the year which is observed. The y-axis is the amount of total net inflows in millions of euros.

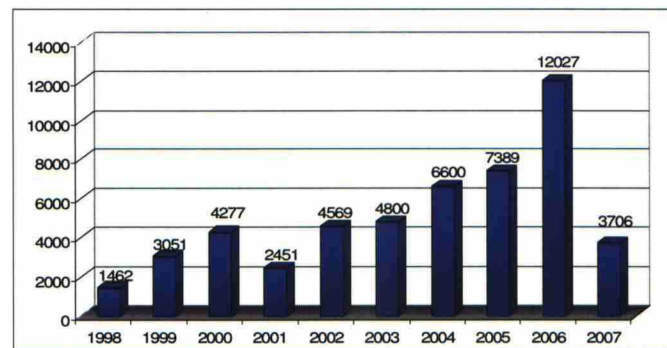
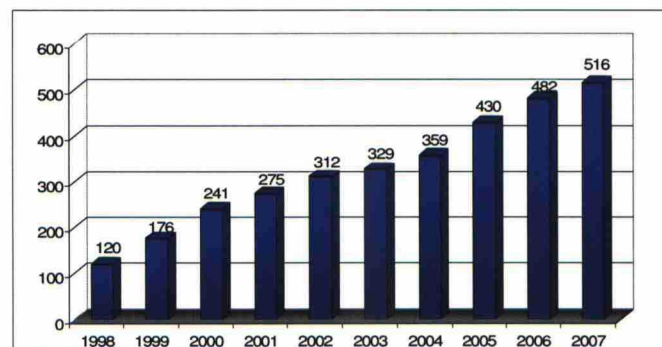


Figure 3. Total number of Finnish mutual funds in 1998-2007

This figure presents the total number of all Finnish home domiciled mutual funds in years 1998-2007. The x-axis is the year which is observed. The y-axis is the number of funds.



Despite the new entrants in the business, extensive growth of the market and intensified competition, the typical characteristic of being a market of banks is still true. The three largest banks dominate the mutual fund market by possessing nearly 70% of the total 66 billion euro assets invested in mutual funds by households and institutions (Statistics of Financial Supervision of Finland, 2007). Otten and Schweitzer (2002) suggest that the conducts and performance of the market may suffer from too centered market power. They report that in U.S. the five largest players in the mutual fund market control only 18% of the managed assets. In European countries the corresponding figures vary between 20% to over 60%. Furthermore, the bank dominance is found to be a European phenomenon, as Otten and Schweitzer (2002) also report that in Europe, the main distribution channel of the funds are the banks, controlling 53% of the total mutual fund market, whereas the corresponding figure in U.S. is only 8%. In contrast, the joint share of direct sales and brokers totals over 70% of the total U.S. mutual fund market. Moreover, in U.S. the share of brokers is as high as 40% of the total market. Referring to above discussion, there is no denying of the unique development and structure of the Finnish mutual fund market. The immature nature, notable growth, strong bank dominance and thereby the differing structure in relation to U.S. markets creates an interesting field to study the content of mutual fund advertising within the national borders of Finland, but also with inclusion of cross-national viewpoint.

3.2. Legal framework of mutual fund advertising

In addition to presented determinants of advertising content in Section 2.2, also the legislation of the advertising defines the observable advertising content. Moreover, differing legislation between comparable countries may create discrepancies in analysing different markets. This chapter addresses these issues by briefly discussing the legal aspects of advertising in Finnish and U.S. mutual fund markets.

Finnish financial markets are monitored by the Financial Supervision of Finland. Marketing and advertising of the mutual funds is controlled on the basis of law on mutual funds (*Sijoitusrahastolaki 29.1.1999/48*) and the Standard 2.2 of the Finnish Financial Supervision which has been effective since 2006. Currently the Standard 2.2 is the main vehicle steering the mutual fund advertising and it has a starting point suggesting that marketing consists of various actions to capture investor's attention and awake the interest on the product or service. The standard is largely based on compliance of good manners in the

advertising, which aims for maintaining the trust on the financial system, openness, neutrality and equality among different market participants (Financial Supervision, Standard 2.2, p.10). The expected conservativeness of advertiser's signals appears in following directives of the Standard. Advertising information is expected to be to the point, discussing issues concerning the advertised product in a clear, understandable and fair way. Also the commercial nature of the message is to be brought up clearly, by not mixing the commercial statements with reality. Additionally the risks related to the advertised products are to be communicated frankly, without concealing or underestimating the possible direct or indirect risks. Finally, there should also be references for the stipulated brochures and their distribution.

Despite the specific requirements and limitations of the advertising messages, some room for manoeuvre exists in the brand or image marketing, when there are not certain products or product categories included in the advertisement. Although the advertising messages are expected to not contain any misleading information, the ads do not have to include all the information needed in the decision making process. However, it is recommended that the consumer is able to come to a conclusion on what kind of product and service is advertised and its essential characteristics.

In U.S. the mutual fund advertising is controlled by similar rules and regulations as in Finland. Mainly, the U.S. mutual funds are subject to Securities and Exchange Commission's (SEC) registration and regulation. Furthermore, the mutual fund companies are under scrutiny of Financial Industry Regulatory Authority (FINRA), a non-governmental regulatory body for all securities firms doing business in the U.S. FINRA was founded in 2007 as a result of consolidation of National Association of Securities Dealers (NASD) and the member regulation, enforcement and arbitration functions of the New York Stock Exchange. The main legislative vehicles of these regulatory bodies include the Investment Company Act (1940), the Securities Act (1933) and the manual of NASD. Investigation of the regulations and directives reveal that legislation of U.S. and Finnish mutual fund advertising is similar, as also the main points of U.S. legislation stresses the clarity, frankness and fair presentation of the product information. On ground of this investigation, it seems that legislative issues would not be drivers for possible differences in Finnish and U.S. mutual fund advertisements and thereby they do not bring noise to the comparison between the two markets.

4. HYPOTHESES

This chapter presents the hypotheses of the study by formulating predictions from three different viewpoints. As the idea of the study is to investigate the content of Finnish mutual fund ads and possible discrepancies between different companies (banks and non-banks) and markets (Finland and U.S.), the hypotheses sets were defined to match these starting points. In following sub-chapters the hypotheses are presented in three main classes relating to advertising content, content differences between bank and non-bank fund ads and to expected discrepancies in contents of Finnish and U.S. fund ads.

4.1. Content and appearance of mutual fund ads

The framework for the first set is adopted from the study of Huhmann and Bhattacharyya (2005). The following hypotheses are set for implications of both bank and non-bank managed funds. The first three are derived from previous research and the theory of finance. They are grounded on the importance of certain information when making investment decisions. The last three are based on the prior findings in the field of advertising on perception, readership and convenience issues influencing individuals' decision making processes.

One of the dominant paradigms in finance involves the trade-off between risk and return. More formally the relationship was presented in Harry Markowitz's portfolio selection model in early 1950's and since then, the risk-return relationship has strengthened its role as an important variable in financial decision making process. More specifically, according to Huhmann and Bhattacharyya (2005) the paradigm of risk-return trade-off "stems from the assumption of risk-averse, rational investors that is used to characterize the utility function of the representative investor". These investors are assumed to have monotonic increasing concave utility of wealth (Ingersoll, 1987), which in turn describes investors who desire higher returns, but want to avoid higher risk. Thereby, the investments in higher risk products must always be motivated with higher returns. Furthermore, the Capital Asset Pricing Model (CAPM), posits that the expected return on asset is a linear function of the systematic risk associated with that asset. Under these statements, we can expect mutual fund ads to position the advertised products in risk-return spectrum.

H1.1: Mutual fund advertisements include information on risk-return trade-off

A great number of studies have noted the substantial operating costs of mutual funds (Chordia, 1996; Dellva and Olson, 1998; Livingston and O'Neal, 1996; Livingston and O'Neal, 1998). The realization of cost can have notable effect on investors' wealth, and thereby investors should be aware of them before investing their money into the funds (Huhmann and Bhattacharyya, 2005). The suggestion of expense ratios influence on investors' wealth has been supported by several studies, as they have discovered the inverse relation between the different expenses and the performance of the fund (Carhart, 1997; Liljeblom and Löflund, 2000; Malkiel, 1995). However, despite the notable academic proof for the inversely related expense ratios and performance, investors may also see the higher costs as a signal of better performance (Lichtenstein, Kaufmann and Bhagat, 1999). No matter if the true relation would be positive or negative; the inclusion of cost information is clearly useful piece of information in the advertisements and thereby:

H1.2: Mutual fund advertisements include information on costs

Principal-agent relationships have been extensively investigated in finance. After the groundbreaking studies of Ross (1973) and Holmstrom (1979), there have been numerous studies investigating the principal-agent problem in different circumstances. Examples of the studies in the field of investor-investment advisor setup could be the ones done by Golec (1992) and Starks (1987). The starting point for most of the studies is the commonly acknowledged imbalance in the information that financial advisors or mutual fund managers possess compared to individual investors. Huhmann and Bhattacharyya, (2005) state that the credibility cues in the advertisements can be seen as information that mitigates the agency costs arisen from the principal-agent conflict. They further suggest that as investors give up their money on the management of unknown entity, they need the information that their money is kept safe. They also state that since the mutual fund advertisements are targeted to investors, they are expected to include information mitigating the principal-agent problem and thereby:

H1.3: Mutual fund advertisements provide investors with credibility enhancing information

Besides the presented financial viewpoints on advertising, there is also room for including aspects of advertising techniques in to the study. The following hypotheses could be considered as counter assumptions for the above presented predictions of financial perspective. In case the mutual funds ads do not contain the proposed necessary investment information, it would be interesting to see whether the advertisers utilize techniques that advertising research has found effective in context of other products and services. The research of advertising suggests that also mutual fund advertisements would use elements and tools that improve the noticing and the readership of the advertisement (Huhmann and Bhattacharyya, 2005). Furthermore, there is also a wide array of studies on the convenience issues influencing the consumer's decision making.

Previous research has found that the size of the advertisement has a great influence on whether consumer notices the advertisement or not (Franke, Huhmann and Mothersbaugh 2004; Grønhaug, Kvitastein and Grønmo, 1991; Valiente, 1973). The reasoning behind the finding has been that bigger size in overall captures the eye more efficiently than smaller one, but also the fact that the bigger the advertisement is, the less it has concurrent other advertisements nearby, as Valiente (1973) suggests. Furthermore, the color advertisement have been claimed to be noticed more often than the black and white ads (Finn, 1988; Holbrook and Lehmann, 1981; Valiente, 1973). As a result, we could expect that:

H1.4: Mutual fund ads are at least one full page in size and in full colour

In addition to the aspects improving the perception of the advertisements, there are several elements that have been found to enhance the readership of the advertisement. Huhmann and Bhattacharyya (2005) defined following elements to have impact on the readership; visuals, copy length, unique-selling propositions, celebrity endorsements, and emotional appeals. Relating to these, Holbrook and Lehmann (1980) find that advertisements with larger visuals and illustrations have better readership. On the other hand, advertisement's copy length has been seen as readership decreasing element (Starch, 1966). According to Starch, ads containing more than 50 words of text are read more rarely than the ones with less than fifty words. Franke et al. (2004) suggest that the copy length will affect the readership differently among various product categories. According to their classification, professional services and investments belong to the category of "experience shopping products". The characteristics of this category are that the products and their quality can not be accurately

assessed before trying them and the products involve greater risk and longer-term commitments. They found that in case of the experience shopping products, the copy length has negative influence on the ad readership. However, in case of products that can be well assessed beforehand by assessing some specific product attributes, the longer copy would have a positive effect.

Unique-selling propositions i.e. brand-differentiating messages that communicate the uniqueness of the brand or the product have also been noted to have significant role on the scale of readership (Stewart and Koslow, 1989). Their study suggests that it is important to communicate differentiating messages about the product, brand and their attributes in the advertisements. Relating to differentiation, Holbrook and Lehmann (1980) studied the effects of content and form on the ad readership and found that comparisons and readership have positive relation. Furthermore, Harrison (2003) states that due to the intangible and hard to grasp nature of the investment instruments, customers' decision making is also affected by several peripheral cues in addition to raw information on the product. Relating to this, the use of celebrity endorsements and emotional appeals has positive effect on the readership of other consumer products (Holbrook and Lehmann, 1980). Additionally, Jordan and Kaas (2002) suggest that the inclusion of emotional appeals to advertisements may lower the consumer's perceived risk on particular product or investment vehicle. On the basis of the previous literature on readership of the advertisements, we could expect that:

H1.5: Mutual fund advertisements include visuals, short copy length, celebrity endorsements, emotional appeals and unique-selling proposals.

Generally in service business, the convenience issues play a significant role on consumer decision making (Albers-Miller and Straughan, 2000). In case of mutual fund advertising, Huhmann and Bhattacharyya (2005) include the following issues in the convenience appeals; low minimum investment requirement, ease of access to service provider and one's account information and liquidity of the investments i.e. the ease of withdrawing ones funds from the investments. Several studies have made supporting findings for the statement of Albers-Miller and Straughan (2000) acknowledging the importance of convenience appeals in financial services advertising.

Jun and Cai (2001) study the quality of Internet banking services and find that the ease of access to one's account and accessibility and responsiveness of service personnel were important sources of customer satisfaction. Additionally, Lee and Marlowe (2003) discover the importance of convenience issues in checking account selection. More specifically, they find that ease of access to one's account and service personnel is the most important selection criteria. A Scandinavian viewpoint is given by Holstius and Kaynak (1995) who suggest that in competition among the banks in Finland, the key role is played by the accessibility of one's account and efficiency of transactions. Moreover, the importance of convenience appeals is also discovered among professional investors, as Albers-Miller and Straughan (2000) suggest that the effectiveness of convenience appeals does not vary significantly between business and individual investors. As convenience appeals seem to have notable effect on individuals decision making processes in context of other financial services, we can also expect that:

H1.6: Mutual fund advertisements will include convenience appeals

4.2. Differences between bank and non-bank ads

As said before, Finnish banks have traditionally had loyal customers and often the banking relationship go in the family. Moreover, the recommendation of friends and relatives are found to be an important factor of bank selection (Holstius and Kaynak, 1995). With regards to mutual funds, the trustworthy service provider with all the needed financial services under one umbrella seems to be the thing in Finnish markets, as the strong bank dominance suggests. For many people, the savings account in particular bank may drive the decision to make investments also to other financial instruments provided by the same company, while the search for alternative service providers is ignored. These arguments would suggest that the banks may not have need to highlight their trustworthiness or credibility as smaller and not as familiar non-bank companies.

As discussed earlier Huhmann and Bhattacharyya (2005) suggest that company's credibility could be enhanced by several information peaces. These also included the company sponsored and independent information on fund's past performance. The use of these information peaces is also supported by the academic proof of investors running after good past performers and basing their investment decision solely on fund ratings. Relating to this, earlier investigation of the Finnish market has pointed out certain differences between

bank and non-bank mutual fund families. Prior studies have revealed differences between the impact of good past performance and fund ratings on the external growth of bank and non-bank funds. Regarding the past performance and ratings, the non-bank Finnish mutual funds are found to have similar inflow patterns as the U.S. funds. However, Kasanen *et al.* (2001) find that among Finnish bank related funds, the investors are quite indifferent to their past performance. Additionally, Knuutila *et al.* (2007) contend that among bank mutual funds the relation between the fund ratings and inflows is non-existent. On ground of these findings and arguments, banks may not have as high incentives to disclose past performance or ratings information in their advertisements. The familiarity, overall trustworthiness and the aforementioned disincentives for using past performance or rating information suggests that:

H2.1: Bank mutual fund advertisements contain less information on credibility issues than the non-bank advertisements

4.3. Differences between Finnish and U.S. ads

As it was earlier discussed, the nature of Finnish and U.S. markets differs greatly. The main differences stem from the overall development and the distribution channel structures of the markets. The financial literacy could be expected to be better in more mature markets such as the one in U.S. Additionally, in Finland most of the funds are sold by bank and non-bank mutual fund families i.e. through banks and direct channels. However, in U.S. 40% of the funds are sold through brokers. Thereby presumably the marketing efforts of the U.S. fund companies are also targeted to financial advisors and brokers, whereas in Finland the promoting of the funds are mainly targeted to their end customers, that is retail investors. If these assumptions are generalized in a way that the overall readership of U.S. mutual fund ads includes more experienced or sophisticated readers, they could be expected to contain more specific information of the products. Thus, the hypothesis on differences between the Finnish and U.S. mutual fund advertisements could be formulated as:

H3.1: U.S. mutual fund advertisements contain more information on risk-return relationship and cost issues than Finnish fund ads

5. THE DATA

The following chapter presents the gathering of the research data and some selected descriptive statistics of the sample. The first section 3.1 includes discussion on the selection of the data source. The second part 3.2 leads the reader to the heart of current study by presenting the descriptive statistics of the sample.

5.1. Data source and collection

Data of the study consists of print advertisements of Finnish mutual fund companies between years 1998-2007. Due to the lack of extensive database on published Finnish mutual fund advertisements, the study has to be based on hand picked sample from selected magazines. Financial magazines were chosen as the data source to get as large sample as possible in most efficient way. Due to the small size of Finnish markets the overall number of advertising fund families is quite small and the financial magazines were considered to be sources where most of the advertising appears.

As said before, the data set of the study sets certain limitations on the interpretation of results. Firstly, the findings relate to advertising in financial magazines, where the target audience presumably has certain knowledge of the products and thereby the advertising content and communication may differ from advertisements targeted to more general audience, where readers may not be as familiar with the products and key concepts. Secondly, some companies may choose to advertise their products in totally different ways, in other mediums or other magazines and thereby the sample may not present all the players in Finnish mutual fund industry. Although the use of particular magazines limits the generalization of the results, the method is commonly used in the field of advertising research and also in the research of mutual fund print advertisements, as it was brought up in the Section 2.3.1 Moreover, the data from financial magazines enables the examination how the mutual fund companies advertise their services to investors, who presumably belong to the core group of the product or service users.

Eventually, two magazines were chosen for purposes of data collection. Relating to the efficiency of the data collection, the daily published magazines were excluded. As a result, the selected magazines were not to have as large circulation and readership as the daily published

ones, but they enabled a sound investigation of all publications in the set time limits. The selected magazines were *Arvopaperi* and *Talouselämä*. *Arvopaperi* is 11 times a year published periodical, focusing on the different aspects of investing, placing also notable weight on mutual funds, resulting in a good target audience for mutual fund advertisers. The other magazine *Talouselämä* is 43 times a year published magazine concentrating on more general aspects of economy, however having relatively wealthy readership, who are presumably interested in different investment vehicles such as mutual funds. Due to the above reasoning, the selected magazines were expected to provide access to relatively good sample of mutual fund ads. Table 2 summarizes the specifics of the selected data sources, including the number of yearly publications, circulation and estimated readership figures for year 2007.

Table 2. Data sources

This table presents the selected data sources, their number of yearly publications, number of yearly circulation and estimated number of readership in year 2007. The information is gathered from the electronic materials of Finnish Audit Bureau of Circulations.

Magazine	Publications/Year	Circulation (magazines)	Estimated readership (persons)
Arvopaperi	11	23.000	68.000
Talouselämä	43	78.000	185.000

The data was collected by examining all the mutual fund advertisements from the selected magazines from years 1998-2000, 2002-2003 and 2005-2007. The peculiar absence of years 2001 and 2004 roots from the initial design of the study and the confronted time constraints⁸. The small number of observations from years 2002-2003 does not enable valid separate analysis of the period in question. However, the observations from those years are included in the study to enhance the reliability of the analysis concerning the whole time period of 1998-2007.

⁸ Originally, the study was to include three separate two-year time periods, capturing the bullish markets of the front- and back-end of the time horizon, but also including observations from more bearish market situation from years 2002-2003. However, the small number of observable advertisements of Finnish mutual funds forced inclusion and investigation of additional years. Due to the time limits, the focus of the study was shifted to both ends of the time horizon, whereas the separate analysis of the mid-section was dropped out. Yet the years 2002 and 2003 were included in the study to enhance its reliability in describing the overall nature of Finnish mutual fund advertising over the whole time horizon of 1998-2007. As mentioned, the inclusion of the years 2002-2003 is important, as they capture the different market conditions of those years in contrast to the development of the markets in front-and back-end of the time horizon.

The data include ads of all Finnish and foreign mutual fund companies, whose advertisements are about the fund company in general, or about single or several funds. Yet, the foreign companies had to have registered Finnish representative to be included in the study. Due to the existence of companies that offer also other services than mutual funds, the advertisements had to include a clear reference to mutual fund services to be counted in the sample. Thereby, some discrimination was done when assessing whether some bank ads were about bank's mutual fund division or the bank group in general. Moreover, the advertisements of pension funds were excluded due to their special nature.

5.2. Descriptive statistics of the data

After controlling for the set limitations, in total of 668 advertisements were included in the study, of which 406 (61%) were non-bank and 262 (39%) were bank published⁹. After the elimination of duplicates the final sample consists of 338 different advertisements, including 200 (59%) non-bank ads and 138 (41%) bank ads. Table 3 summarizes the number of observed ads and advertising companies in selected time periods with classification to bank and non-bank fund families¹⁰.

⁹As it could have been expected, most of the ads were from mutual fund investing oriented Arvopaperi magazine with total of 405 (62%) ads, while Talouselämä contributed to 263 (38%) of the ads.

¹⁰ The classification of mutual fund companies to bank and non-bank fund families is done by defining the companies providing depositary services and having physical branch office network as banks. The companies not meeting these two criteria are treated as non-bank mutual fund families.

Table 3. Total number of observed advertisements

This table presents the total number of observed advertisements in different time periods with classification to bank and non-bank advertisers. Panel A presents the total number of observed advertisements. Panel B presents the number of different advertisements after the elimination of duplicates. Panel C presents the number of advertising companies.

PANEL A: Total number of observed advertisements									
	1998-2000		2002-2003		2005-2007		Total		
Banks	106	32,7 %	64	58,7 %	92	39,1 %	262	39,2 %	
Non-banks	218	67,3 %	45	41,3 %	143	60,9 %	406	60,8 %	
Total	324	100,0 %	109	100,0 %	235	100,0 %	668	100,0 %	

PANEL B: Total number of different advertisements									
	1998-2000		2002-2003		2005-2007		Total		
Banks	65	37,1 %	23	46,0 %	50	44,2 %	138	40,8 %	
Non-banks	110	62,9 %	27	54,0 %	63	55,8 %	200	59,2 %	
Total	175	100,0 %	50	100,0 %	113	100,0 %	338	100,0 %	

PANEL C: Total number of advertising companies									
	1998-2000		2002-2003		2005-2007				
Banks	9		9		8				
Non-banks	15		11		18				
Total	24		20		26				

The total number of observed advertisements has decreased during the past decade from 324 in 1998-2000 to 235 ads in period of 2005-2007. The same development is seen also in the number of different ads for the periods, being 175 and 113 respectively. Interestingly, the mid-section during the years 2002-2003 has clearly least observations, even when taking into consideration the one year lack when compared to surrounding periods. For years 2002 and 2003 the yearly average was 54 advertisements per year, while the corresponding number for 1998-2000 and 2005-2007 were 108 and 78 respectively. Furthermore, the average number of different advertisements published by single companies are in line with the above mentioned notion, as the number for years 2002 and 2003 was 2,5 while the corresponding figures for 1998-2000 and 2005-2007 were 6,8 and 4,4 respectively.

There are a few issues that could have caused the time period related variance in the number of observed advertisements. Firstly, the overall number of published print advertisements might have decreased during the past decade due to the grown number of

other marketing and advertising channels. An example is the exploitation of the possibilities the Internet offers. In years 1998-2000 around 75% of the ads guided people to company Internet sites, whereas in years 2005-2007 already over 90% of the ads included Internet address. One might consider this change as a signal of increased Internet exploitation. Secondly, the stock market crash of the millennium might have had its impact on the scale of mutual fund advertising with reflective effects to years 2002 and 2003, which can be seen from the lower overall growth of the total net assets and smaller net inflows of the Finnish mutual funds during the period in question¹¹.

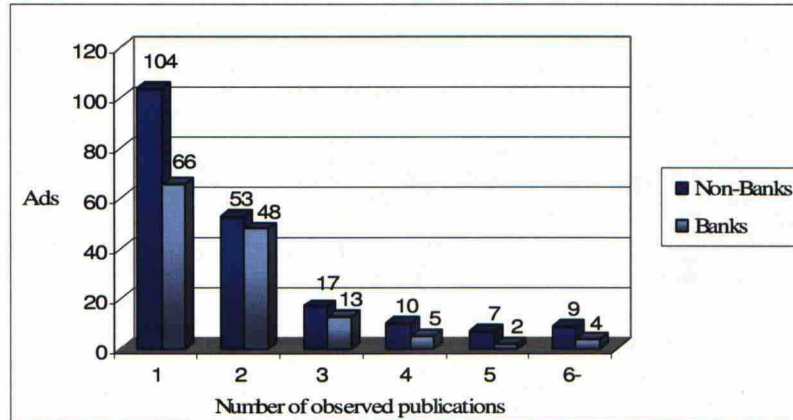
The exceptional nature of years 2002-2003 brings also forth other implications. During these years banks have advertised more in total, although the number of different ads is almost the same for both banks and non-bank companies. These findings relate to the notably lower number of non-bank advertisers at the time and it could be further argued that banks are able to continue their advertising better despite worsened market conditions, or in other words, many (smaller) non-bank mutual fund families have decreased their advertising budget during the market downturn.

Figure 4 describes the sample in light of the times the specific advertisement publications are observed in the investigated magazines in 1998-2007. The findings suggest that mostly the same advertisements are published only once or twice. The proportion of ads published more than two times decreases steeply and the relatively large weight in the two times published ads results from the overlapping publications in the two magazines. Additionally, it seems that non-bank companies seem to have relatively more one-time only advertisements in the data set, which could be related to the fact that among non-bank mutual fund families, there are smaller players that may exhibit advertising in lesser degree. Among banks, the one to three times published ads are more evenly distributed than the ones of non-bank mutual fund companies. These differences could be due to the more homogenous nature of the bank mutual fund families when compared to non-bank companies where there is wider variety of players in size and in terms of product offerings.

¹¹ The development of Finnish mutual fund markets was earlier presented in Figures 1, 2 and 3.

Figure 4. Number of observed publications per ad

This figure presents the number of times the specific advertisements are observed in 1998-2007. The darker poles represent the non-bank companies and the lighter ones the bank companies. The x-axis presents the times the particular advertisement is observed, with scale of one to six or over publications of particular ad. The y-axis presents the number of such ads in total.



Differences between the time periods and fund family types are also seen in the nature of the advertisements. The ads are classified in to three categories, including the ads about single funds, several funds and the ones advertising the fund company in general. Table 4 presents the distribution of bank and non-bank company ads in different time periods by their nature. During 1998-2007 there are certain differences between the advertisements of bank and non-bank mutual fund families. Banks advertise more single funds whereas the non-bank service providers use more ads presenting several funds or certain fund category. However, these differences are not statistically significant. On the other hand, statistically significant differences appear when the different time periods are investigated separately and compared with each other.

In 1998-2000 the nature of bank and non-bank advertisements is still quite homogenous. However, in years 2005-2007 notable differences exist in the advertisement nature, as 60% of bank advertisements focus on single fund, whereas the comparative proportion for non-bank ads is only 31,7% (significant difference, $\alpha=0,01$). On the other hand, the non-bank ads in 2005-2007 are dominated by the ones advertising the fund family in general totalling 46% of all ads, whereas the same figure for the bank ads is only 24% (significant difference, $\alpha=0,01$). Moreover, these general advertisements have increased among the non-bank advertisements significantly ($\alpha=0,01$) from the 25,5% of years 1998-2000, whereas among the bank ads their relative frequency has nominally decreased. The advertising of several

funds has decreased significantly among all the fund companies between the periods, coming down from the 37,1% in 1998-2000 to 19,5% in 2005-2007 ($\alpha=0,01$).

Table 4. Nature of the advertisements

This table presents the distribution of the ads between the ones advertising single fund, several funds or fund family in general in different time periods. Panel A presents the nature of bank advertisements. Panel B presents the nature of non-bank ads. Panel C presents the nature of the ads in the whole sample including both bank and non-bank mutual fund families. To illustrate the change in the nature of advertisements during the past decade, the most right column "Sign." stands for the statistical significance level of the observed difference between the proportions in time periods 1998-2000 and 2005-2007. (* $\alpha=0,05$; ** $\alpha=0,01$; *** $\alpha=0,001$)

PANEL A: Bank advertisements										
	1998-2000		2002-2003		2005-2007		Total		Sign.	
Single fund	26	40,0 %	5	21,7 %	30	60,0 %	61	44,2 %	*	
Several funds	21	32,3 %	4	17,4 %	8	16,0 %	33	23,9 %	*	
Fund family in general	18	27,7 %	14	60,9 %	12	24,0 %	44	31,9 %	-	
Total	65	100,0 %	23	100,0 %	50	100,0 %	138	100,0 %		
PANEL B: Non-bank advertisements										
	1998-2000		2002-2003		2005-2007		Total		Sign.	
Single fund	38	34,5 %	7	25,9 %	20	31,7 %	65	32,5 %	-	
Several funds	44	40,0 %	6	22,2 %	14	22,2 %	64	32,0 %	**	
Fund family in general	28	25,5 %	14	51,9 %	29	46,0 %	71	35,5 %	***	
Total	110	100,0 %	27	100,0 %	63	100,0 %	200	100,0 %		
PANEL C: All companies										
	1998-2000		2002-2003		2005-2007		Total		Sign.	
Single fund	64	36,6 %	12	24,0 %	50	44,2 %	126	37,3 %	-	
Several funds	65	37,1 %	10	20,0 %	22	19,5 %	97	28,7 %	***	
Fund family in general	46	26,3 %	28	56,0 %	41	36,3 %	115	34,0 %	**	
Total	175	100,0 %	50	100,0 %	113	100,0 %	338	100,0 %		

Interestingly, the years 2002-2003 provide again results that partly contradict the trend which could be seen in between the opposite ends of the study's timeline. During the period, both bank and non-bank ads are strongly dominated by the ones advertising the company in general. This could be related to market downturn and have certain reference to the findings of Mullainathan and Shleifer (2005) of advertisement nature discrepancies between bullish and bearish markets. In this case, the advertisements could be centralizing in highlighting the company and its reliability in contrast to certain products that it is offering. However, more thorough consideration of these issues would be off the scope of this study and thereby they are leaved for later research work.

Finally, some ideas on the possible reasons for differences in bank and non-bank advertising could be brought up. The divergence in general company advertising is presumably due to the following reasoning. As the banks have traditionally had strong presence in Finnish society, they may not have as great need for brand constructive general advertising as the less familiar non-bank operators have. Furthermore, these universal banks have the advantage of previously mentioned direct marketing of their mutual fund products to the users of their other services and thereby they can focus their advertising on particular investment funds, while the non-bank operators are more inclined to present several pieces of their product offerings. Relating to these differences, the data further indicates that over 42% of bank advertisements of certain fund or funds include a new recently launched fund, while the corresponding proportion of non-bank ads is little over 27%¹². This interesting detail also signals the presented disparities among different companies, as banks clearly use the advertisements more to launch new products, while the non-bank companies concentrate on advertising the fund family in general or presenting older products and possibly their past performance. These issues are further elaborated in the empirical part of the study.

Before moving on to the methodology of the study, main findings on the data sample could be summarized as follows: Firstly, it seems that overall amount of mutual fund advertising has decreased during the past decade and the number of observed advertisements could be related to the ongoing market situation. Secondly, the banks seem to advertise relatively more in single company level and their advertising do not seem to suffer as much from the worse market conditions. Thirdly, the prevailing market situation could affect the nature of the ads, as more ads were focusing on the fund company in general during the years of industry's lower growth in 2002-2003. Finally, there seems to be no difference between the bank and non-bank advertisements if the whole time horizon is examined. However, investigation of separate time periods reveals that recently the nature of bank and non-bank ads has differed significantly, as the latest observations suggest that banks concentrate more on advertising single funds, while the non-bank operators place the main emphasis on general brand advertising of the company.

¹² The advertised fund was considered to be new if it was explicitly mentioned in the ad or if the fund had not operated over three months before the publication of the advertisement. The information on fund's launch date was acquired from the monthly mutual fund reports of Investment Research Finland.

6. METHODOLOGY OF THE STUDY

The methodology of the current study is content analysis of print advertisements. Content analysis has been widely used in the field of political sciences, journalism and consumer research. According to Kassarian (1977), it is commonly acknowledged that content analysis has to be objective, systematic and quantitative. These requirements are related to clear classification of observed variables, with systematic rules by which the inclusion or exclusion of certain communication information into the study is justified. The objectivity and systematic nature of successful content analysis enables replication of the study by other researchers. In addition, the quantitative characteristic is important, as it enables direct statistical reasoning of the observations when compared to more qualitative methods of communications research. In the study in question, the statistical analysis is used to examine whether there are statistically significant differences in advertising contents between different time periods and different types of mutual fund companies, that is banks and non-bank mutual fund families. Also the relative frequencies of certain information elements are to be compared between Finnish and U.S. ads that earlier studies have reported.

All advertisements were coded whether they included information and appeals that prior research and the theory of finance would suggest to be found. Moreover, the ads were coded whether they used efficient advertising techniques or contained convenience appeals that have found to positively influence consumer's selection of service provider or product. The methodology has been mainly adopted from the study of Huhmann and Bhattacharyya (2005), yet having some modifications for the purposes of the study in hand. The final coding work was done by the author after two pilots were done to two different years. This manoeuvre aided in constructing proper classification for the different variables and to recognise different cues and appeals from the Finnish advertisements. Following sections present the coding of information value of the ads from the viewpoint of finance and the coding of used advertising techniques and convenience issues.

6.1. Coding of informational value of the ads

The coding of advertisement for the information that prior research and financial theory suggests to be found, was done according to following classifications. The presence of risk-return relationship information was recorded if it was explicitly mentioned in the ad in form

of risk-adjusted returns or statements such as “higher returns carry greater risk”. Additionally, more indirect communication of the risk-return relation was taken into consideration. To be exact, the ads were coded whether they discussed risks generally, low, decreasing, high or increasing risks. The same classification was also used for communication of returns. The described classification was later used to investigate whether both of the variables were brought up in similar manner, in other words, if higher returns are mentioned somewhere in the ad, it was also expected that the higher risks were brought up in some place (being in line with the risk-return relation).

As the communication of the risk-return relationship was found to be only one aspect of product’s riskiness, also other risk related cues were included in the study. Thereby, advertisements were coded whether they included more specific information on fund’s geographical orientation, fund type, allocation specifics or more detailed description of the funds investments¹³. Additionally the ads were coded whether they included discussion on the suggested investment horizon. The geographical orientation of the fund is by its name the main market in which the fund invests (Asia, Europe, and Finland etc.). Fund type stands for whether the product in question is equity, bond or balanced fund. Allocation specifics were recorded if the proportion that the fund invests in equities or bonds etc. was mentioned. A more detailed description of funds investments was seen as discussion of what kind of stocks or bonds are bought. (for example small-/large-cap companies, growth/value stocks or government/company bonds). Finally the time viewpoint was coded if the ad contained discussion of recommended investment horizon like “the recommended investment horizon is over three years” or “the associated risk diminishes over longer-term”.

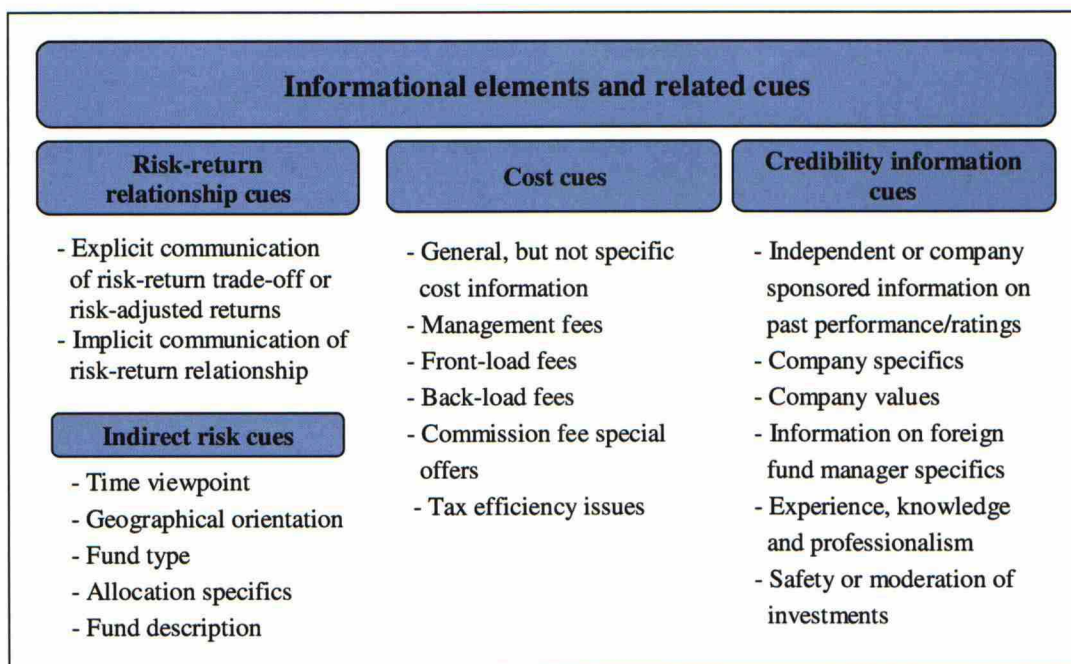
The cost information was recorded, if advertisement generally mentioned costs (e.g. low management fees) or contained specific information on front-end loads, back-end loads or management fees. Also discussion of tax gains or advantages was considered as cost information. Additionally, the presence of commission fee special offers were considered as cost information, usually meaning a period of time when the fund company does not charge any fees from the fund share subscriptions.

¹³Very often fund names include hints on its geographical orientation or fund type, examples of these could be “SEB Gyllenberg European Equity Value” or “Evli Emerging Markets Debt”. Due to the great variability in fund names and their probable informational value, the sole name of the fund was not treated as information on fund’s investment policies etc. In other words, these issues had to be discussed specifically and to appear in other form than in fund’s name to be recorded.

Agency issues were coded whether the advertisement contained credibility information that would lower investor's principal-agent problem concerns. These cues included the following; independent or company sponsored information on past performance or ratings¹⁴, company values or grounding principles behind its investments, company specifics highlighting the number or personnel, amount of assets under management or years in business, fund manager or company reputation, experience and professionalism. Additionally the highlighting of foreign fund manager's reputation or specifics was considered as credibility enhancing information. Furthermore, the discussion of safety or moderation concerning the investments or company's investment policy was treated as credibility information. Figure 5 summarizes the classification of elements and cues relating to the coding of advertisements' informational value.

Figure 5. Informational elements and related cues

This figure lists and summarizes the informational elements and the related cues suggested by prior research and the theory of finance. The elements are divided to communication of risk-return relationship, costs and credibility information. Additionally, the proposed indirect cues of fund's riskiness are listed.



¹⁴ Independent information is considered as performance figures or ratings that are published by agencies such as Morningstar or other independent institutions (for example financial magazines). Also information that the advertising company has extracted from independent sources such as the Monthly Statistics of Investment Research Finland on fund performance in relation to other funds is treated as independent information. Company sponsored information is considered as all information that is produced and reported by the company itself in the first place.

6.2. Coding of advertising techniques and convenience appeals of the ads

In addition to the elements of financial perspective, advertisements were coded in terms of advertising techniques that prior research has found efficient in the field of marketing and advertising. Relating to the perception of the ads, the size and colouring of the ads were examined. Firstly, the size of the ads was coded whether it was one fourth or less, one third, one half, two thirds, three fourths or one full page/larger in size. Secondly, the use of colours was coded whether the colouring of the ad was black and white/two-colour, three-colour or four-colour/full-colour to highlight visuals or verbal expressions.

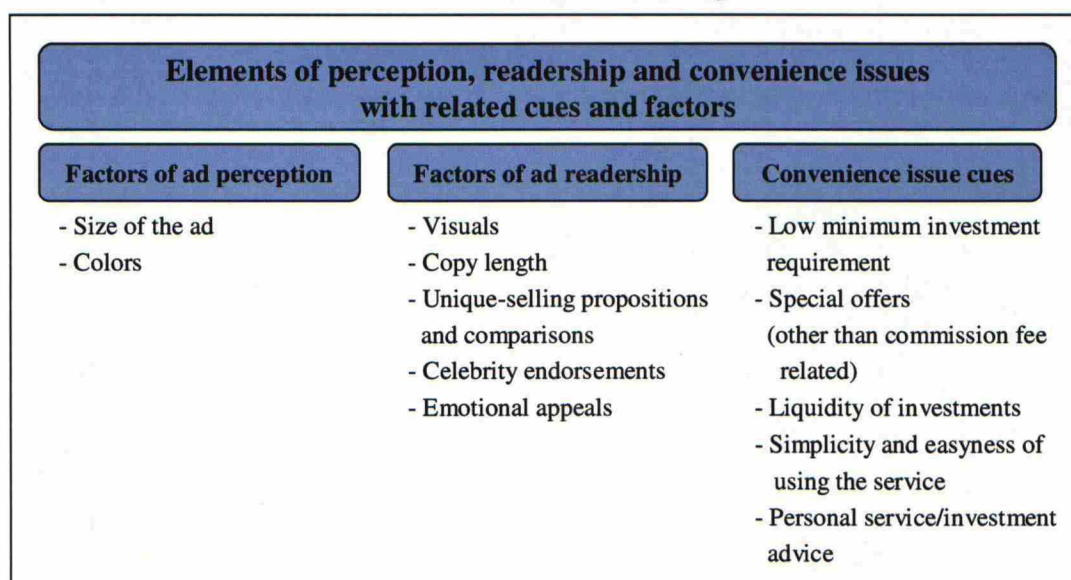
Furthermore, the elements affecting the readership of the ads were coded on ground of the following justifications. Firstly, the visual (excluding fund company logos) size was coded as whether it was not present at all, its size was one fourth or less, over one fourth but less than one half, one half or over but less than three fourths or three fourths or over of the whole ad. Secondly, the text length was coded as under 50 words, 50 to 100 words or over 100 words. Thirdly, the ads were also examined whether they included unique-selling propositions or comparisons to other service providers. These brand-differentiating messages appear in various manners, yet in this study these messages were investigated whether the brand-differentiating or comparing message was direct and done against particular concurrent companies or indirectly in general. Examples of such statements and indirect comparisons could be like "The only mutual fund company that.." or "The largest mutual fund company in Scandinavia.." or "Our company has the best past performance in equity mutual fund category..".

Finally, the nature of the ad was observed in terms of rational or emotional appeals and whether the advertisement contained convenience appeals. The rational appeals include cues highlighting the aspects of lower costs, accessibility of ones account and overall attainable utility of the service i.e. cues signalling that the service is worth money. Emotional appeals refer to cues and hints of warmth, joy, humour, fantasy, guilt, regret etc. The convenience appeals were coded by investigating whether the ads mentioned low minimum investment requirement, liquidity of the investments or ease of cashing in the investment, the ease of accessing the service provider or its representatives, individual service, ease of access to ones account information or some special offers by the fund company for the share subscribers.

Figure 6 summarizes the classification of the different elements and cues relating to advertising techniques and convenience appeals.

Figure 6. Elements of perception, readership and convenience appeals

This figure presents the elements that prior research on advertising has found efficient in context of other products, including factors and cues relating to the perception and readership of the ads and the convenience issues that have been found to have effect on consumer's decision making.



Examples of the observed ads and brief illustration of coding work in practise are shown in Appendix 1, where the interpretation of ten different bank and non-bank ads is presented. To conclude, some critical assessment of the chosen methodology is provided. Usually the first question that might arise concerning the content analysis studies is the interpretation of ones observations from the ads and the aspect of subjectivity in justifying whether certain cues or appeals in the ads relate to the investigated elements. The proper interpretation of the results requires the content analysis observers being familiar with the nature of the advertisements and the terminology of the examined products (or services) in question, as Krippendorff (1980) points out. Often in the previous studies the authors have recruited and educated several coders for the work, thereby mitigating the problem of subjectivity, since the possible contradictions in the observations can be settled through discussion and by reviewing the advertisements. In this thesis, having only one coder, the problem of subjectivity has been taken into consideration by focusing more on clear appeals or informative elements that can either be noted as existing or non-existing in the ads with a few exceptions. The subjectivity

issues are also brought up later when the empirical findings and analysis are discussed, if particular caution in the interpretation of the results is in place.

6.3. Statistical testing

The statistical testing of the study is done simply by comparing the relative frequencies of chosen variables between two samples. More specifically, the tests are executed to measure the significance of differences between observations of different time periods and company types i.e. bank and non-bank mutual fund families. The critical values for testing are calculated with the following equation (1):

$$z = \frac{p_1 - p_2 - \delta}{\sqrt{p_1(1-p_1)/n_1 + p_2(1-p_2)/n_2}} = \sim N(0,1) \quad (1)$$

Where,

p_1 = observed frequency of variable in first sample

p_2 = observed frequency of variable in first sample

δ = presumed difference between the proportions (*zero*)

n_1 = size of the first sample

n_2 = size of the second sample

7. EMPIRICAL RESULTS AND ANALYSIS

This chapter discusses the empirical findings of the study. The chapter is divided in to two separate parts starting with the 7.1 presenting the results relating to the informational value of the advertisements. The latter section 7.2 elaborates the issues of advertising techniques and convenience issues that are communicated in the ads. The findings regarding the differences between bank and non-bank ads and the discrepancies in the advertising content of Finnish and U.S. advertisements are discussed in related contexts.

7.1. Findings on the informational value of the ads

The following sections present findings on the informational value of the observed ads. First, the findings are presented separately on communication of risk-return relationship, costs and credibility information. At the end, a brief summarization is shown on the joint communication of the informational elements. As most of the examined informational cues relate to attributes of single fund or fund categories, the investigation of the informational value is done on sample, of which the general fund company advertisements are excluded. Additionally, comparable findings from earlier studies are presented if available.

7.1.1. Risk-return relationship

One of the issues concerning the advertisements' informational value was earlier defined as the information peaces relating to risk-return trade-off. It was predicted by H1.1 that advertisements would contain information on risk-return relationship in either explicit or implicit terms. Empirical results of the study show that Finnish mutual fund advertisements do not explicitly communicate the risk-return trade-off or risk-adjusted returns to investors. Moreover, an extensive use of more implicit communication is not documented. Table 5 summarizes the findings of the explicit and implicit communication of risk-return relationship among the Finnish ads of single or several funds and presents the comparable findings from U.S. study.

Table 5. Communication of risk-return relationship

This table presents results on the communication of risk-return relationship. Panel A presents findings of the current study on ground of observations of 223 ads of single or several funds by bank and non-bank fund families. Panel B presents the findings of Huhmann and Bhattacharyya (2005) from 547 U.S. mutual fund ads from years 1999-2000. The findings of the U.S. study were originally reported in more detail, as the authors reported communication of increasing and high (decreasing and low) risks and returns separately. For the purposes of comparison, those results were joined respectively to match the palette of the current study. In both panels the upper section presents the figures for advertisements communicating risk-return relationship explicitly and the lower section illustrates how the relationship is discussed if explicit communication is not present. The explicit communication is considered as statements like "higher returns carry greater risk" or disclosures of risk-adjusted return information. The more implicit communication in the lower sections of the panels is presented with cross-tabulation of risk and return communication by classes; not mentioned at all, mentioned generally, low or decreasing and high or increasing returns/risks.

PANEL A: THE COMMUNICATION OF RISK-RETURN RELATIONSHIP IN FINNISH ADS IN 1998-2007*

Advertisements with an explicit discussion of the risk-return relationship

Risk-return tradeoff	4	1,8 %
Risk-adjusted returns	3	1,3 %
Subtotal	7	3,1 %

Advertisements with no explicit discussion of the risk-return relationship

		RETURN									
		Not mentioned		Mentioned generally		Low or decr. return		High or incr. return		Total	
RISK	Risk not mentioned	74	33,2 %	39	17,5 %	-	-	9	4,0 %	122	54,7 %
	Risk mentioned generally	10	4,5 %	31	13,9 %	-	-	5	2,2 %	46	20,6 %
	Low or decreasing risk	3	1,3 %	5	2,2 %	1	0,4 %	9	4,0 %	18	8,1 %
	High or increasing risk	3	1,3 %	1	0,4 %	-	-	26	11,7 %	30	13,5 %
	Subtotal	90	40,4 %	76	34,1 %	1	0,4 %	49	22,0 %	216	96,9 %
Total										223	100,0 %

PANEL B: THE COMMUNICATION OF RISK-RETURN RELATIONSHIP IN U.S. ADS IN 1999-2000

Advertisements with an explicit discussion of the risk-return relationship

Risk-return tradeoff	143	26,1 %
Risk-adjusted returns	17	3,1 %
Subtotal	160	29,3 %

Advertisements with no explicit discussion of the risk-return relationship

		RETURN										
		Not mentioned		Mentioned generally		Low or decr. return		High or incr. return		Total		
RISK	Risk not mentioned	26	4,8 %	3	0,5 %	2	0,4 %	30	5,5 %	61	11,2 %	
	Risk mentioned generally	17	3,1 %	33	6,0 %	24	4,4 %	100	18,3 %	174	31,8 %	
	Low or decreasing risk	8	1,5 %	7	1,3 %	8	1,5 %	13	2,4 %	36	6,6 %	
	High or increasing risk	9	1,6 %	19	3,5 %	2	0,4 %	86	15,7 %	116	21,2 %	
	Subtotal	60	11,0 %	62	11,3 %	36	6,6 %	229	41,9 %	387	70,7 %	
Total											547	100,0 %

* Years 2001 and 2004 are excluded

As Table 5 (Panel A) presents, the explicit communication of risk-return relationship is nearly non-existent in Finnish mutual fund advertisements as only 3% of the ads explicitly discuss the risk-return relationship (e.g. “higher returns carry higher risks”) or present risk-adjusted returns (e.g. Sharpe ratio). If the relationship is not discussed in explicit terms, the risk-return relationship could be brought up more implicitly by communicating risks in a manner that matches the communication of returns. The observed proportion of ads communicating the risk-return relationship in expected way accounts for 26% of all ads¹⁵. Thereby, the total amount of ads communicating the risk-return relationship in the ads is little over 29%. The corresponding results from the U.S. (Panel B) reveal that 29% of the U.S. ads presented the risk-return relationship explicitly and if the wider explication was used, the same figures totalled over 52% of all ads (Huhmann and Bhattacharyya, 2005). The main factor behind the discrepancies of results of the two studies is the greater proportion (26,1%) of ads discussing the risk-adjusted returns in U.S. advertisements.

In addition, as much as 33% of the Finnish ads do not mention risk or return at all, which strikingly differs from the figure that Huhmann and Bhattacharyya (2005) found for U.S. ads, being only 4,8% respectively. The amount of advertisements omitting the necessary risk-return information seems quite large and the difference between the nature of Finnish and U.S. ads is clear. Furthermore, a proportion of 36% of the Finnish advertisements discuss the risk and return or only one of them generally, but do not assign any specific amount of risk or return i.e. whether the risk or returns are higher or lower. Eventually, this leaves only one third of the ads disclosing more detailed information of at least one or the other of risk and return.

Although, the lack of risk and return information does not violate the risk-return relationship as characterized by CAPM, it is found that among the ads not mentioning risks at all, around 7% claim increasing or high returns. This in turn, could be seen as clear violation of the prediction of CAPM. Among the U.S. ads the violation is stronger as almost every second of the ads not having any risk information claim increasing or high returns (Huhmann and Bhattacharyya, 2005). On ground of current findings it seems that U.S. mutual fund advertisements seem to include more both explicit and implicit information on the risk-return

¹⁵ The diagonal of the table, where the upper left corner is excluded, because it contains the ads that do not mention risks or returns at all.

relationship. Moreover, the communication of risks and returns is more blatant due to the rather large proportion of ads highlighting the high returns when omitting the risk information.

Now the question arises whether the results of the two studies are comparable due to the differing examined time horizons? As it was discussed earlier in Chapter 2.2.3, the content of advertisements may also change within rather short time periods. More thorough investigation by focusing on years 1998-2000 reveals that alternation of the studied time horizon does mitigate some differences between the Finnish and U.S. ads. Yet, these differences are nominal relating only to a few issues and thereby the time horizon does not seem to reverse the initial implications of the perceived discrepancies of risk-return trade-off communication of Finnish and U.S. fund advertisements¹⁶. The current findings are in line with the hypothesis H3.1 predicting that U.S. fund advertisements include more information on risk-return relationship and costs.

When examining the risk-return relationship communication separately among the bank and non-bank mutual funds the following results stand out. Firstly, during the whole period of 1998-2007 among the bank ads 42% do not mention the risks or returns in any way, whereas among the non-bank companies the figure is under 29% (statistically significant difference, $\alpha=0,05$)¹⁷. Additionally, in 1998-2000 among all companies, the frequency of ads not communicating the risks and returns in any way was 27%, whereas the latest observations from years 2005-2007 suggest that over 47% of the ads mention neither risks nor returns ($\alpha=0,01$). According to these findings, it seems that non-bank companies tend to include information on risk-return relationship more often. However, the findings also indicate that the inclusion of information on risk and returns has decreased during the past decade.

¹⁶ Separate investigation of 129 Finnish ads from years 1998-2000 indicates that over 29% (7 percentage points more than in 1998-2007) of the ads discussed high or increasing returns, signalling the possible effect of more bullish market situation on the communication. Moreover, during the same period, 27% of the ads did not communicate risk and return at all (5 percentage points lower than during 1998-2007). Additionally, during 1998-2000 the proportion of ads highlighting increasing or high returns while omitting the risk information is 12,5% (5 percentage points higher than during 1998-2007). Explicit communication did not vary between the different time periods.

¹⁷ From now on, the statistical significance of found results is presented in the following way: The statistical significance of difference between the observed frequencies is stated as *alpha* in brackets, referring to preceding figures [For example: "In 1998-2000 as much as 50% of the non-bank ads while only around 21% of the bank ads contained cost related information ($\alpha=0,01$)"]

So far, the investigation suggests that Finnish fund advertisements rarely discuss risks and return. As Table 5 (Panel A) indicates, over 40% of the ads do not discuss returns in any way and over 54% completely ignores the communication of associated risks. Yet, there naturally exists some other cues that might signal the possible risks of particular investment to investors. In addition to direct verbal expression of risks, the description of the fund in terms of its investment policy by presenting its geographic orientation or general description can help investors in assessing the riskiness of the investment. Moreover, the consideration of investment horizon could be seen as such information. In other words, the discussion of some investment being profitable or having lower volatility over longer time period could be treated as risk related information that is useful for investors. The information on the above mentioned cues on investment policies and investment horizon were coded if they were communicated specifically in the ad, i.e. the issues were recorded if they were mentioned or discussed in some other way than being only present in fund's name.

Table 6 presents findings relating to other cues of investment's riskiness. Results indicate that the two most used information pieces are the geographical orientation (being present in 38% of the ads) of the fund and its type (present in 61,4% of the ads). More specific communication of asset allocation to different investment vehicles (e.g. equity or bonds) or description of funds investments (for example value/growth stock investments or small/large cap companies) is not widely present. Among these, no significant differences appear between bank and non-bank ads. Jones and Smythe (2003) find that around 60% of the ads of Money in 1999 discuss the composition of the fund more specifically¹⁸. The presented findings suggest that U.S. advertisements communicate the investment policy issues more thoroughly. Added to this, the suggested or preferable investment horizon is discussed in only 21% of the observed Finnish ads. Among non-bank ads the communication of investment horizon is more common in period of 1998-2000 ($\alpha=0,01$) and over the whole investigated time period 1998-2007 ($\alpha=0,05$). Generally, the information content on the discussed issues has diminished between the investigated periods ($\alpha=0,05$). Furthermore, especially the communication of investment horizon has disappeared from the advertisements ($\alpha=0,01$).

¹⁸Jones and Smythe (2003) recorded discussion of fund's composition if for example it was mentioned whether the investments are mainly made to growth stocks of large companies or in municipal bonds of certain grade. Also in their study, the communication was recorded if it was done specifically and the issues were not to appear only in the fund's name.

Table 6. Communication of suggested investment horizon and investment policies

This table presents the findings on the communication of suggested investment horizon and fund's investment policies among Finnish bank and non-bank mutual fund advertisements. Description of the observed elements is following: Time viewpoint relates to communication of recommended investment horizon. Allocation specifics relate to communication in what proportion the fund invests in equities and bonds etc. Fund description was recorded if the ad describes in what kind of companies or instruments it invests in (e.g. small and medium sized companies). Fund type was recorded if the ad specifically mentioned whether the fund is equity, bond or balanced fund. Lastly, the geographical orientation by its name relates to discussion of where the fund mainly invests its assets. The findings are presented in three different time periods. From the whole time horizon of 1998-2007 the years 2001 and 2004 are excluded due to missing data. The most right column of each panel indicates the statistical significance level of the difference between relative frequencies among bank and non-bank advertisements (* $\alpha=0,05$; ** $\alpha=0,01$; *** $\alpha=0,001$).

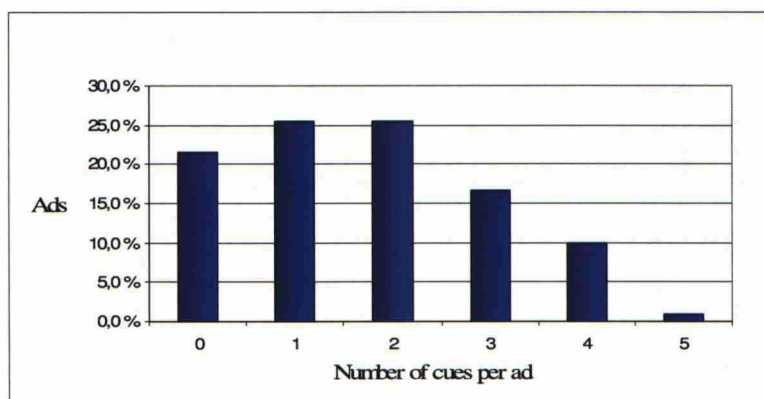
PANEL A: YEARS 1998-2000							
	Banks		Non-Banks		Total		Sign.
Some information on time viewpoint or investment policy	39	83,0 %	68	82,9 %	107	82,9 %	-
<i>Time viewpoint</i>	5	10,6 %	33	40,2 %	38	29,5 %	***
<i>Allocation specifics</i>	7	14,9 %	19	23,2 %	26	20,2 %	-
<i>Fund description</i>	7	14,9 %	26	31,7 %	33	25,6 %	*
<i>Fund type mentioned</i>	30	63,8 %	53	64,6 %	83	64,3 %	-
<i>Geographical orientation</i>	21	44,7 %	47	57,3 %	68	52,7 %	-
No information on time viewpoint or investment policy	8	17,0 %	14	17,1 %	22	17,1 %	-
Total	47	100,0 %	82	100,0 %	129	100,0 %	
PANEL B: YEARS 2005-2007							
	Banks		Non-Banks		Total		Sign.
Some information on time viewpoint or investment policy	28	73,7 %	21	61,8 %	49	68,1 %	-
<i>Time viewpoint</i>	5	13,2 %	2	5,9 %	7	9,7 %	-
<i>Allocation specifics</i>	3	7,9 %	2	5,9 %	5	6,9 %	-
<i>Fund description</i>	11	28,9 %	5	14,7 %	16	22,2 %	-
<i>Fund type mentioned</i>	22	57,9 %	15	44,1 %	37	51,4 %	-
<i>Geographical orientation</i>	17	44,7 %	11	32,4 %	28	38,9 %	-
No information on time viewpoint or investment policy	10	26,3 %	13	38,2 %	23	31,9 %	-
Total	38	100,0 %	34	100,0 %	72	100,0 %	
PANEL C: YEARS 1998-2007*							
	Banks		Non-Banks		Total		Sign.
Some information on time viewpoint or investment policy	76	80,9 %	99	76,7 %	175	78,5 %	-
<i>Time viewpoint</i>	12	12,8 %	36	27,9 %	48	21,5 %	**
<i>Allocation specifics</i>	13	13,8 %	21	16,3 %	34	15,2 %	-
<i>Fund description</i>	22	23,4 %	32	24,8 %	54	24,2 %	-
<i>Fund type mentioned</i>	61	64,9 %	76	58,9 %	137	61,4 %	-
<i>Geographical orientation</i>	44	46,8 %	63	48,8 %	107	48,0 %	-
No information on time viewpoint or investment policy	18	19,1 %	30	23,3 %	48	21,5 %	-
Total	94	100,0 %	129	100,0 %	223	100,0 %	

* Years 2001 and 2004 are excluded

On ground of above discussion, advertisements seem to communicate these other risk related cues, as nearly 80% of all observed advertisements of single or several funds include some information on investment horizon or aspects of investment policies. However, when measuring the information content and value of the ads, it is also essential to examine the number of different cues in the same advertisement. Figure 7 presents findings relating to the five different cues concerning the suggested investment horizon and investment policies. This further investigation reveals that around 27% of the ads include three or more cues of above discussed information cues. Yet, vast majority (over 50%) of the ads included only one or two cues on other risk related information. Four of the cues were present in around 10% of the ads and all five cues were present in only two ads of all 223 observations. A separate examination of bank and non-bank ads reveals that among bank ads the use of one or two cues is more common, whereas the relative number of non-bank ads using three or more cues in the same ad is larger than the comparable figure for bank advertisements¹⁹. Yet, these differences are not statistically significant.

Figure 7. Joint use of investment horizon and investment policy cues

This figure presents the joint appearance of different cues of investment horizon and policies. The x-axis presents the observed number of cues communicating investment horizon and policies per ad, with scale of one to five cues per ad. The y-axis indicates the proportion of all 223 fund related ads that included respective number of cues in their ad.



¹⁹ Over 58% of bank ads included one or two cues, whereas the respective number for non-bank ads was little fewer than 46%. On the other hand, around 31% of non-bank advertisements included three or more cues while the comparable proportion of bank ads was only little over 22%.

7.1.2. Costs

Concerning the cost issues, H1.2 stated that advertisements should discuss the costs of funds. In overall there is little information in Finnish mutual fund ads and the examination of cost communication revealed some differences between Finnish and U.S. markets, as well as between the different fund companies in Finnish markets. Table 7 presents the cost communication of banks and non-banks in 1998-2007. Over the whole examined time horizon, less than 35% of bank and non-bank mutual fund ads communicate the cost issues in any way. Similar results are found by Huhmann and Bhattacharyya (2005) whose study reveal that less than 40% of the ads contained the cost information. Furthermore, Jones and Smythe (2003) find that in 1999 around 53% of U.S. advertisements included price related information, however having differing classification of variables as they treated also the minimum amount of investment as cost information. As mentioned earlier, Cronqvist (2006) provides Scandinavian comparison material finding that in year 2000, only 13,5% of Swedish print advertisements contained price and cost related information. He further states that only small fraction of these ads include information on expenses that would enable investors to compare the charges of advertising fund to its competitors. Among all examined Finnish ads over years 1998-2007, less than 6% communicate somehow tax efficiencies, management fees, front-end loads or back-end loads.

Among Finnish ads, the most often included cost information is the commission fee special offer, which is present in over 29% of all ads and accounts for 85% of the ads that communicate cost in some way. Huhmann and Bhattacharyya (2005) find that also among U.S. ads, the communication of loads is mostly related to promoting the lack of commissions. According to their findings, around 30% of the advertisements discuss the no-load characteristic of the fund. When it comes to management fees, they find that only 4,4% of the ads include information on them, whereas the corresponding finding of the Finnish ads is 3,1%. Additionally, a little over 8% of the U.S. funds discussed tax savings. Furthermore, Jones and Smythe (2003) find that in 1999 around 4% of the U.S. ads included information on fund's total expense ratio, whereas none of the observed Finnish advertisement contained it. They also find that communication of costs in all the classes including management fees, 12b-1 fees and loads have decreased during the past decades. On ground of these findings, it seems that the cost communication of Finnish and U.S. advertisements is poor, as the advertisers in both countries do not seem to consider the print advertisements as a channel for

their cost communication. This result partly contradicts the H3.1 predicting that U.S. mutual fund ads would contain more information on risk-return relationship and costs.

Among different fund company types in Finnish market, the non-bank ads seem to discuss cost issues more often. Over the whole period 1998-2007, the cost issues are discussed in 39,5% of the non-bank advertisements, whereas the same figure for bank ads is only 27,7%. However, the difference is not statistically significant. On the other hand, an interesting development is noted when examining the different time periods. In 1998-2000 as much as 50% of the non-bank ads and only around 21% of the bank ads contained cost related information ($\alpha=0,01$). Yet, after those years the relative frequency of cost communication among the bank ads has increased by over 15 percentage points, totalling over 34% in 2005-2007. Among the non-bank ads the proportion of cost communicating ads decreased almost 30 percentage points to little over 20% in 2005-2007. The latest observations from years 2005-2007 indicate that banks have started discuss the cost issues more often and the increase is practically due to the more frequent use of commission fee special offer information.

Finally, as the communication of cost issues appeared to be almost non-existent in Finnish mutual fund ads, the lack of communication is also seen in the joint appearance of cost related cues. Around one third of 223 advertisements relating to certain fund or fund group used only one cue. As it was discussed earlier, the most common cost information is the commission fee special offers. Two or more cost related cues were found only in 4,5% of the ads. Moreover, only one ad (0,4%) included information on management, back-load and front-end loads, which might enable some kind of rational comparison to other products. Separate examination of bank and non-bank ads does not bring forth any statistically significant differences, although the observed non-bank ads contain nominally more cost related cues.

Table 7. Communication of costs

This table presents the findings on the cost communication of Finnish bank and non-bank mutual fund advertisements. The findings are presented in three different time periods. Panel A presents findings from years 1998-2000, panel B from 2005-2007 and finally panel C summarizes the findings from the whole time period of 1998-2007. From the whole time horizon years 2001 and 2004 are excluded due to missing data. The most right column of each panel indicates the statistical significance level of the difference between relative frequencies among bank and non-bank advertisements (* $\alpha=0,05$; ** $\alpha=0,01$; *** $\alpha=0,001$).

PANEL A: YEARS 1998-2000							
	Banks		Non-Banks		Total		Sign.
Cost issues discussed in some way	10	21,3 %	41	50,0 %	51	39,5 %	**
<i>Generally</i>	3	6,4 %	3	3,7 %	6	4,7 %	-
<i>Management fees</i>	-	-	4	4,9 %	4	3,1 %	-
<i>Front-end load</i>	-	-	3	3,7 %	3	2,3 %	-
<i>Back-end load</i>	-	-	1	1,2 %	1	0,8 %	-
<i>Tax efficiency</i>	-	-	2	2,4 %	2	1,6 %	-
<i>Comission fee special offer</i>	7	14,9 %	36	43,9 %	43	33,3 %	***
Cost issues not discussed	37	78,7 %	41	50,0 %	78	60,5 %	**
Total	47	100,0 %	82	100,0 %	129	100,0 %	
PANEL B: YEARS 2005-2007							
	Banks		Non-Banks		Total		Sign.
Cost issues discussed in some way	14	36,8 %	7	20,6 %	21	29,2 %	-
<i>Generally</i>	-	-	1	2,9 %	1	1,4 %	-
<i>Management fees</i>	1	2,6 %	1	2,9 %	2	2,8 %	-
<i>Front-end load</i>	-	-	1	2,9 %	1	1,4 %	-
<i>Back-end load</i>	-	-	-	-	-	-	-
<i>Tax efficiency</i>	-	-	-	-	-	-	-
<i>Comission fee special offer</i>	13	34,2 %	7	20,6 %	19	26,4 %	-
Cost issues not discussed	24	63,2 %	27	79,4 %	51	70,8 %	-
Total	38	100,0 %	34	100,0 %	72	100,0 %	
PANEL C: YEARS 1998-2007*							
	Banks		Non-Banks		Total		Sign.
Cost issues discussed in some way	26	27,7 %	51	39,5 %	77	34,5 %	-
<i>Generally</i>	4	4,3 %	4	3,1 %	8	3,6 %	-
<i>Management fees</i>	2	2,1 %	5	3,9 %	7	3,1 %	-
<i>Front-end load</i>	-	-	5	3,9 %	5	2,2 %	-
<i>Back-end load</i>	-	-	1	0,8 %	1	0,4 %	-
<i>Tax efficiency</i>	-	-	2	1,6 %	2	0,9 %	-
<i>Comission fee special offer</i>	21	22,3 %	45	34,9 %	66	29,6 %	*
Cost issues not discussed	68	72,3 %	78	60,5 %	146	65,5 %	-
Total	94	100,0 %	129	100,0 %	223	100,0 %	

* Years 2001 and 2004 are excluded

7.1.3. Credibility issues

The H1.3 predicted that mutual fund ads would include information pieces that enhance the credibility of the company and mitigate the possible issues of distrust among investors. Table 8 presents the findings relating to these issues. In overall, around 56% of all examined ads contain some kind of credibility information. The relative frequency of such ads has decreased during the past decade as in 2005-2007 the proportion of these ads was around 47%, whereas the corresponding proportion in 1998-2000 was as much as 62% ($\alpha=0,01$). Huhmann & Bhattacharyya (2005) report similar results from 1999-2000, as around 60% of U.S. ads contained some credibility information. Again, also joint appearance of different cues was examined. Figure 8 presents the joint appearance of the pre-determined seven credibility cues. Although credibility information is rather often present in the ads, it mostly appears in form of only one cue (27,8% of the ads). Less than 20% of the ads include two cues at the same time. Moreover, 10% of the ads include three or more cues. Only one ad contained five of the cues at the same time. On the other hand, one might think what is the optimal number of the cues? When taking the space constraint into consideration the inclusion of all possible credibility enhancing information is not worthwhile as the presentation of other information is also needed.

Current study shows that the most used credibility information in the Finnish ads is the company sponsored information on funds' past performance. During the investigated years between 1998 and 2007, around 29% of all ads contained company sponsored information. The information was usually presented in terms of average annual returns or cumulative returns over longer time period. Of these less than 30% contained some kind of benchmark index (e.g. existent *OMX Helsinki* or corresponding). Additionally, one fifth of the ads mentioning past performance presents only the latest returns from selected time period to the date of advertisements publication. The inclusion of latest returns might be a signal of using the return information only when it can be showed in positive light. However, in this case the proportion of such ads is not dominant. The second most used credibility information is related to communication of experience, professionalism and knowledge, accounting for little under 19% of all ads. Furthermore, independent information on past performance or ratings is present in around 16% of all ads. Huhmann and Bhattacharyya (2005) find that among the observed U.S. ads, almost one third discusses the independent information on fund ratings being the most used piece of credibility information. Interestingly, they also note that the

proportion of ads communicating the company sponsored past performance information is only 12,6%. There again, Jones and Smythe (2003) find that every second advertisements of Money in 1999 contained past performance information. However, it was also found that around one fifth of the ads included cues of company sponsored research where the past performance was compared to some benchmark (e.g. S&P500 or Dow Jones Industrial Average). Furthermore, they also give additional proof that U.S. advertisers (and investors) highly appreciate the independent information as they report that over 47% of the ads published in Money included information on independent research such as the ratings of Morningstar or Lipper.

Again, the discrepancy in using company sponsored and independent performance information between Finnish and U.S. ads could relate to the differences in markets. Firstly, the larger size and more mature nature of the U.S. markets could create better ground for operating independent research agencies, as there is wider spectrum of service providers and larger customer base in terms of brokers and investors. The wide array of different investment products by numerous service providers creates need for independent entities that do the analysing and ranking for the investors. Secondly, the previously discussed differences in distribution channels and the target audience of the advertisements may affect the use of different information. Assuming that in U.S. the ads are also targeted to more knowledgeable target audience, who are better able to discriminate different information sources, the effect of company sponsored information may not be as good as information provided by independent entities. This, in turn would motivate the use of independent information in fund advertisements.

Conforming to the prediction of H2.1, the proportion of ads containing credibility information is relatively larger among non-bank ads, as over 65% of non-bank ads include some kind of credibility information, whereas the corresponding figure for bank ads is under 43% ($\alpha=0,001$). However, as Panels A and B of Table 8 present, the differences between bank and non bank ads have narrowed during the past decade. Latest observation from years 2005-2007 indicate only nominal difference due to the diminished use of credibility information among the non-bank ads.

In addition, Table 8 shows that mainly the differences between bank and non-bank ads relate to discussion of the company specifics, experience and company sponsored information on past performance. Greatest differences exist in the inclusion of company sponsored information on past performance, company specifics and emphasizing the expertise and professionalism. During the investigated years between 1998 and 2007 around 29% of non-bank ads contain company sponsored information on fund's past performance, whereas the respective frequency among bank ads is around 15%. The use of past performance information is also the only element which significantly differentiates the bank and non-bank ads in the latest observations from years 2005-2007. When it comes to communication of company specifics, 13% of all non-bank ads and only 3% of all bank ads contain information assuring investors of company's or fund's stability. Furthermore, the experience and professionalism is highlighted in every fourth non-bank ad, whereas only one bank ad in ten emphasizes the know-how of the service provider. As Panels A and B in Table 8 present, the inclusion of information on company specifics and companies expertise has diminished among both company types between 1998-2000 and 2005-2007. The differences of bank and non-bank ads are also evident in the joint use of the credibility cues. Vast majority of bank ads (34%) include only one cue per ad while the relative number of advertisements using two more cues at the same time is only 8,5%. In contrast, non-bank ads include several cues in the same time as around 23% of the ads contain only one cue, whereas two or more cues are used in almost 42% and three or more cues are used in over 16% of the ads.

As mentioned earlier, the expected and apparent differences between the bank and non-bank ads can be rationalized by a few points. Firstly, it can be argued that banks do not have the need to include that much company information on the ads, as they are more familiar to general audience due to their wider array of other provided services. Additionally, banks may not have need to highlight their professionalism or expertise as much as smaller non-bank companies due to their large existing customer base, to whom they most probably sell most of their investment products. The smaller non-bank companies may try to differentiate their selves by using the cues of professionalism in their ads. Finally, the need for differentiation could also be seen in the use of company sponsored information on past performance, as non-bank ads contain it more often than the bank ads. This in turn, could be justified by the earlier discussed non-existent relation between the bank managed funds past performance and their net inflows.

Table 8. Communication of credibility information

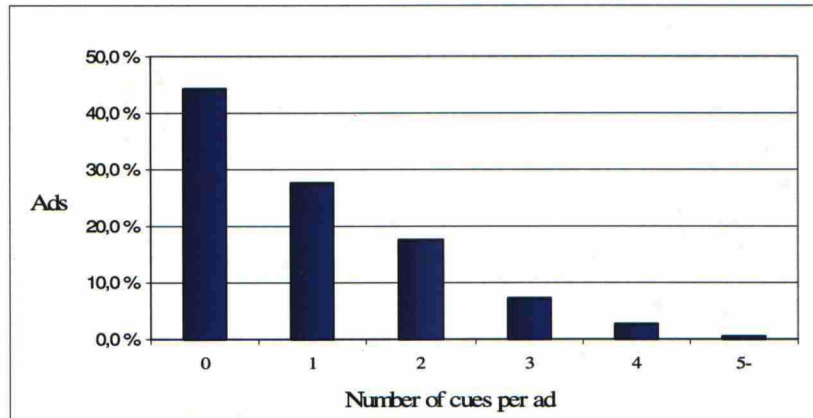
This table presents the findings on the credibility information of Finnish bank and non-bank mutual fund advertisements. The findings are presented in three different time periods. Panel A presents findings from years 1998-2000, panel B from 2005-2007 and finally panel C summarizes the findings from the whole time period of 1998-2007. From the whole time horizon years 2001 and 2004 are excluded due to missing data. The most right column of each panel indicates the statistical significance level of the difference between relative frequencies among bank and non-bank advertisements (* $\alpha=0,05$; ** $\alpha=0,01$; *** $\alpha=0,001$).

PANEL A: YEARS 1998-2000							
	Banks		Non-Banks		Total		Sign.
Any of the credibility information	20	42,6 %	60	73,2 %	80	62,0 %	***
Independent research/rating	7	14,9 %	14	17,1 %	21	16,3 %	-
Past performance (company sponsored)	10	21,3 %	32	39,0 %	42	32,6 %	*
Company specifics	2	4,3 %	21	25,6 %	23	17,8 %	**
Company values	-	-	4	4,9 %	4	3,1 %	-
Foreign fund manager puffery	2	4,3 %	8	9,8 %	10	7,8 %	-
Experience, professionalism or knowledge	6	12,8 %	28	34,1 %	34	26,4 %	**
Safety and moderation of investments	-	-	-	-	-	-	-
No credibility information	27	57,4 %	22	26,8 %	49	38,0 %	***
Total	47	100,0 %	82	100,0 %	129	100,0 %	
PANEL B: YEARS 2005-2007							
	Banks		Non-Banks		Total		Sign.
Any of the credibility information	15	39,5 %	16	47,1 %	31	43,1 %	-
Independent research/rating	6	15,8 %	2	5,9 %	8	11,1 %	-
Past performance (company sponsored)	3	7,9 %	13	38,2 %	16	22,2 %	**
Company specifics	-	-	2	5,9 %	2	2,8 %	-
Company values	-	-	3	8,8 %	3	4,2 %	-
Foreign fund manager puffery	1	2,6 %	-	-	1	1,4 %	-
Experience, professionalism or knowledge	2	5,3 %	4	11,8 %	6	8,3 %	-
Safety and moderation of investments	4	10,5 %	-	-	4	5,6 %	-
No credibility information	23	60,5 %	18	52,9 %	41	56,9 %	-
Total	38	100,0 %	34	100,0 %	72	100,0 %	
PANEL C: YEARS 1998-2007*							
	Banks		Non-Banks		Total		Sign.
Any of the credibility information	40	42,6 %	84	65,1 %	124	55,6 %	***
Independent research/rating	14	14,9 %	21	16,3 %	35	15,7 %	-
Past performance (company sponsored)	14	14,9 %	50	38,8 %	64	28,7 %	***
Company specifics	3	3,2 %	26	20,2 %	29	13,0 %	***
Company values	-	-	9	7,0 %	9	4,0 %	**
Foreign fund manager puffery	4	4,3 %	8	6,2 %	12	5,4 %	-
Experience, professionalism or knowledge	10	10,6 %	32	24,8 %	42	18,8 %	**
Safety and moderation of investments	4	4,3 %	-	-	4	1,8 %	*
No credibility information	54	57,4 %	45	34,9 %	99	44,4 %	***
Total	94	100,0 %	129	100,0 %	223	100,0 %	

* Years 2001 and 2004 are excluded

Figure 8. Joint use of credibility information cues

This figure presents the joint appearance of different cues of credibility information of all 223 advertisements of single or several funds in 1998-2007. The x-axis presents the observed number of the pre-determined credibility information cues per ad. The scale of x-axis is zero to five or more cues. The y-axis indicates the proportion of all 223 fund related ads that included respective number of cues in their ad.



7.1.4. Simultaneous appearance of informational elements

To conclude on the informational value of the fund advertisements, Table 9 presents the joint communication of risk-return relationship, cost and credibility information of the ads in both the current study and the study of Huhmann and Bhattacharyya (2005)²⁰. As it is apparent from the table, none of the observed Finnish ads contained information on all the three informational elements. The seven ads that were considered to discuss the risk-return relationship explicitly do not include any information on costs. Moreover, the fact that over 34% of the ads do not include any information relating to risk-return relationship, costs or credibility issues, even though they are promoting some particular fund or group of funds. Comparable findings of Huhmann and Bhattacharyya (2005) from the U.S. markets are that around 11% of the advertisements contained information on all the three elements. Moreover, the relative frequency of ads not containing any of the information was around 20%. The comparison of the results suggests that the U.S. advertisements in the study of Huhmann and Bhattacharyya (2005) are more informative than the Finnish ads examined in this thesis.

²⁰ The earlier discussion and the viewpoints of investment horizon and investment policy issues are excluded here to enable proper comparison between the current study and the one of Huhmann and Bhattacharyya (2005). Thereby, the summary of advertisements' information value is based only on the findings on communication of risk-return relationship, cost and credibility information.

Table 9. Joint appearance of risk-return, cost and credibility information

This table presents the joint communication of risk-return relationship, cost and credibility enhancing information. Panel A presents findings of the current study on ground of observations on 223 ads of single or several funds by bank and non-ban fund families. Panel B presents the findings of Huhmann and Bhattacharyya (2005) from 547 U.S. mutual fund ads from years 1999-2000. In both panels the cross-tabulation illustrates whether and how the different information elements are communicated together in the ads.

PANEL A: INFORMATION VALUE OF FINNISH ADS IN 1998-2007*

	No risk-adjusted return or risk-return relationship information				Risk-adjusted return or risk-return relationship information				Total	
	No cost information		Cost information		No cost information		Cost information			
No credibility information	60	34,5 %	38	18,8 %	1	0,9 %	-	-	99	44,4 %
Credibility information	79	27,8 %	39	15,7 %	6	2,2 %	-	-	124	55,6 %
Total	139	62,3 %	77	34,5 %	7	3,1 %	-	-	223	100,0 %

PANEL B: INFORMATION VALUE OF U.S. ADS IN 1999-2000

	No risk-adjusted return or risk-return relationship information				Risk-adjusted return or risk-return relationship information				Total	
	No cost information		Cost information		No cost information		Cost information			
No credibility information	117	21,4 %	85	15,5 %	8	1,5 %	9	1,6 %	219	40,0 %
Credibility information	124	22,7 %	61	11,2 %	82	15,0 %	61	11,2 %	328	60,0 %
Total	241	44,1 %	146	26,7 %	90	16,5 %	70	12,8 %	547	100,0 %

*Years 2001 and 2004 are excluded

7.2. Findings on advertising techniques and convenience issues

Following sections elaborate on the findings relating to advertising techniques the prior research has found efficient. As mentioned earlier, these issues include elements that are expected to enhance the perception and readership of the ads. In addition, the current section brings forth results concerning the communication of convenience issues of particular services or products. As it was discussed earlier, the convenience issues are considered as aspects that try to assure the customer that the product is worth the money and easy to use. They in turn have found to positively influence consumer's choice of service provider and particular product. Since advertising techniques and convenience issues do not specifically relate to certain fund, the findings are based on full sample of 338 different advertisements.

7.2.1. Enhancement of ad perception

According to the prediction of H1.4, it was expected that mutual fund ads are at least one full page in size and in full colour. Over the whole period of 1998-2007, around 70% of the ads were at least one full page in size. In general it seems that bank ads seem to be larger

in size and more often in four/full colour when compared to the ads of non-bank fund families. In years 1998-2000 64,6% of bank ads were one full page or larger in size while the corresponding figure for non-bank ads was 63,6%. The distribution between the ad sizes was quite the same for both types of mutual fund families. However, during 2005-2007 the figures were for bank ads 82%, whereas the relative number of full page advertisements of non-bank companies had increased only nominally and totalled 67,7% of all ads. Among non-bank ads the use of smaller ads has continued, as around 18% of the ads are less than half page in size, whereas the same figure for bank ads is only 4% ($\alpha=0,05$). Banks tend to have more full-colour advertisements than their non-bank competitors, although the differences are not statistically significant. In years 1998-2000 around 57% of the bank and 44,5% of non bank ads were four colour or full colour. For years 2005-2007 the corresponding figures are 74% and 67% respectively. Generally the use of full colour ads has increased during the investigated time horizon, as the relative frequencies of all four/full colour ads has increased from 49% in 1998-2000 to almost 70% in 2005-2007 ($\alpha=0,001$). The results suggest that advertisements tend to use larger size and colours to capture readers' attention. The results are in line with the results of Huhmann and Bhattacharyya (2005) who contend that most of the ads are at least one full page in size and try to use several colours when possible.

7.2.2. Enhancement of ad readership

The readership of the ads was predicted to be influenced by several factors and H1.5 states that advertisements contain elements that would enhance their readership. The findings suggest that the enhancement of readership varies between different time periods and company types. Table 10 summarizes findings relating to the elements of ad readership enhancement. Generally, advertisements seem to use visuals to turn on the readers' interest as over 75% of the ads include them. Among non-bank ads the use of visuals has increased, while the bank ad visualization has suffered a small loss in terms of their use and size. During the whole period of 1998-2007, the use of larger visuals (covering at least 50% of the ad) seems to be more common among the bank ads, although in the period of 2005-2007 there were no longer any differences. When it comes to copy length, around half of the ads contain less than fifty words. Interestingly, the nature of non-bank ads has changed notably between the examined time periods. In 1998-2000 nearly 80% of the ads contained more than 50 words and every second of the ads had over 100 words. In 2005-2007 over 65% of the ads had less than 50 words. Among bank ads the proportion of the ads with over 100 words has

also decreased, yet the changes are not as significant as the ones of non-bank ads. As earlier sections have brought up, advertisements' overall amount of information seem to have dropped during the past decade, which is also reflected in the copy lengths.

The unique-selling proposals included expressions highlighting the superiority of the company either directly or indirectly to other companies. Examples of such statements and expressions were presented already in the methodology chapter. The conservativeness of the advertising is reflected on the use of these brand-differentiating messages as less than 20% of all observed advertisements included this information. Over the whole time horizon, use of the information is more common among the non-bank ads ($\alpha=0,05$) and the differences were even more significant in 1998-2000 ($\alpha=0,01$). The relative frequency of brand-differentiating messages has increased among bank ads, while the relative number of the corresponding non-bank ads has decreased. Additionally, the results show that emotional appeals are present in 17% of the all observed ads and are more likely to be found from the bank ads. However, due to the special nature of the element in question, these findings are highly subjective and can not be interpreted straightforwardly. Yet, the overall finding of the study is that most of the ads rely fully on rational appeals supporting other findings indicating the conservativeness of the fund advertisements. Finally, the findings show that celebrity endorsements are non-existent in the Finnish mutual fund advertisements.

Comparable information from the study of Huhmann and Bhattacharyya (2005) indicate that the use of readership enhancing advertising techniques and appeals are not widely used in U.S. fund ads. Around 55% of the examined ads included visuals and most of them were covering less than one quarter of the ad. From the observed Finnish ads, over 49% included visuals covering one half or more of the advertisement. Among bank ads, the use of such visuals is clearly more common than among non-bank ads, as 68% of bank advertisements and only 36% of non-bank ads include visuals covering at least one half of the ad. In U.S. all the examined advertisements contained more than fifty words and unique-selling propositions or comparisons were used in around 12% of the U.S. ads. Finally, the advertisements were not using celebrities to excite readers and over 90% of the observed advertisements were relying fully on rational appeals. To sum up, the advertisements are using only visuals. In short, the advertisements seem to be very conservative in both markets and the message is delivered by the means of rational appeals and cues.

Table 10. Factors enhancing the ad readership

This table presents the findings on the factors that have been found to enhance the ad readership. The figures are presented separately for bank and non-bank advertisements in different time periods. Panel A presents findings from years 1998-2000, panel B from 2005-2007 and finally panel C summarizes the findings from the whole time period of 1998-2007. From the whole time horizon years 2001 and 2004 are excluded due to missing data. The most right column of each panel indicates the statistical significance level of the difference between relative frequencies among bank and non-bank advertisements (* $\alpha=0,05$; ** $\alpha=0,01$; *** $\alpha=0,001$).

PANEL A: YEARS 1998-2000						
	Banks		Non-Banks		Total	Sign.
Use of visuals	55	84,6 %	76	69,1 %	131 74,9 %	*
<i>Ads with at least 50% visual coverage</i>	44	68,0 %	25	23,0 %	69 39,0 %	***
Copy Length						
<i>Less than 50 words</i>	29	44,6 %	23	20,9 %	52 29,7 %	***
<i>50 to 100 words</i>	25	38,5 %	29	26,4 %	54 30,9 %	-
<i>Over 100 words</i>	11	16,9 %	58	52,7 %	69 39,4 %	***
Unique-selling propositions and comparisons	4	6,2 %	26	23,6 %	30 17,1 %	**
Celebrity endorsement	-	-	1	0,9 %	1 0,6 %	-
Use of emotional appeals	23	35,4 %	18	16,4 %	41 23,4 %	**
Total number of ads	65		110		175	
PANEL B: YEARS 2005-2007						
	Banks		Non-Banks		Total	Sign.
Use of visuals	39	78,0 %	47	74,6 %	86 76,1 %	-
<i>Ads with at least 50% visual coverage</i>	34	68,0 %	35	56,0 %	69 61,0 %	-
Copy Length						
<i>Less than 50 words</i>	21	42,0 %	42	66,7 %	63 55,8 %	**
<i>50 to 100 words</i>	27	54,0 %	13	20,6 %	40 35,4 %	***
<i>Over 100 words</i>	2	4,0 %	8	12,7 %	10 8,8 %	-
Unique-selling propositions and comparisons	6	12,0 %	8	12,7 %	14 12,4 %	-
Celebrity endorsement	-	-	-	-	- -	-
Use of emotional appeals	5	10,0 %	5	7,9 %	10 8,8 %	-
Total number of ads	50		63		113	
PANEL C: YEARS 1998-2007*						
	Banks		Non-Banks		Total	Sign.
Use of visuals	115	83,3 %	141	70,5 %	256 75,7 %	**
<i>Ads with at least 50% visual coverage</i>	94	68,0 %	72	36,0 %	166 49,0 %	***
Copy Length						
<i>Less than 50 words</i>	60	43,5 %	77	38,5 %	137 40,5 %	-
<i>50 to 100 words</i>	64	46,4 %	50	25,0 %	114 33,7 %	***
<i>Over 100 words</i>	14	10,1 %	73	36,5 %	87 25,7 %	***
Unique-selling propositions and comparisons	15	10,9 %	43	21,5 %	58 17,2 %	*
Celebrity endorsement	1	0,7 %	2	1,0 %	3 0,9 %	-
Use of emotional appeals	34	24,6 %	25	12,5 %	59 17,5 %	*
Total number of ads	138		200		338	

* Years 2001 and 2004 are excluded

7.2.3. Convenience issues

As it was earlier presented, the convenience issues have been found to influence individuals' decision making processes. The hypothesis H1.6 predicted that mutual fund ads would contain information on convenience issues. The overall finding of the study is that Finnish mutual funds do not seem to utilize the communication of convenience issues extensively, as around one third of the observed advertisements contain some kind of convenience related appeals over the whole period of 1998-2007. Table 11 presents the findings on use of convenience appeals.

The nature of the advertisements has changed concerning the convenience issues. During the period between 1998-2000 and 2005-2007 the proportion of ads containing convenience issues among all companies has dropped from 46,9% to 17,7% ($\alpha=0,001$). For the bank advertisements, it is found that relative frequency of convenience issue discussing ads was 43,1% in 1998-2000 and 24% in 2005-2007 ($\alpha=0,05$). The respective figures for non-bank ads are 49,1% and 12,7% ($\alpha=0,001$). In general, no significant differences between the relative frequencies of convenience communication in bank and non-bank ads were found. However, when examining the single convenience cues, the communication of investments liquidity i.e. the ease of cashing in the investments is more common in the bank ads ($\alpha=0,01$). This finding could relate to different savings arrangements by which banks persuade investors to invest to their funds by little monthly payments with the possibility of cashing in quickly.

The almost non-existent use of convenience appeals is seen also in the joint use of the related cues. A little over 20% of the ads contained one convenience cue, mostly being related to liquidity of the investments and to individual service or financial counselling. Furthermore, less than 7% of the observed ads contained two or more cues. The findings of the current study are in line with the study of Huhmann and Bhattacharyya (2005) who find that U.S. mutual fund advertisements do not contain information on the convenience issues, although the prior research on individuals' decision making would suggest its use.

Table 11. Communication of convenience issues

This table presents the findings on the communication of convenience issues in Finnish bank and non-bank mutual fund advertisements. The findings are presented in three different time periods. Panel A presents findings from years 1998-2000, panel B from 2005-2007 and finally panel C summarizes the findings from the whole time period of 1998-2007. From the whole time horizon years 2001 and 2004 are excluded due to missing data. The most right column of each panel indicates the statistical significance level of the difference between relative frequencies among bank and non-bank advertisements (* $\alpha=0,05$; ** $\alpha=0,01$; *** $\alpha=0,001$).

PANEL A: YEARS 1998-2000							
	Banks		Non-Banks		Total		Sign.
Convenience issues discussed in overall	28	43,1 %	54	49,1 %	82	46,9 %	-
<i>Individual service/investment advice</i>	6	9,2 %	13	11,8 %	19	10,9 %	-
<i>Other special offer</i>	-	-	3	2,7 %	3	1,7 %	-
<i>Low minimum investment requirement</i>	18	27,7 %	23	20,9 %	41	23,4 %	-
<i>Liquidity of investments</i>	10	15,4 %	3	2,7 %	13	7,4 %	**
<i>Simplicity and easyness</i>	8	12,3 %	9	8,2 %	17	9,7 %	-
No convenience issues	37	56,9 %	56	50,9 %	93	53,1 %	-
Total	65	100,0 %	110	100,0 %	175	100,0 %	
PANEL B: YEARS 2005-2007							
	Banks		Non-Banks		Total		Sign.
Convenience issues discussed in overall	12	24,0 %	8	12,7 %	20	17,7 %	-
<i>Individual service/investment advice</i>	7	14,0 %	5	7,9 %	12	10,6 %	-
<i>Other special offer</i>	1	2,0 %	-	-	1	0,9 %	-
<i>Low minimum investment requirement</i>	2	4,0 %	1	1,6 %	3	2,7 %	-
<i>Liquidity of investments</i>	-	-	-	-	-	-	-
<i>Simplicity and easyness</i>	1	2,0 %	-	-	1	0,9 %	-
No convenience issues	38	76,0 %	55	87,3 %	93	82,3 %	-
Total	50	100,0 %	63	100,0 %	113	100,0 %	
PANEL C: YEARS 1998-2007*							
	Banks		Non-Banks		Total		Sign.
Convenience issues discussed in overall	48	34,8 %	66	33,0 %	114	33,7 %	-
<i>Individual service/investment advice</i>	19	13,8 %	19	9,5 %	38	11,2 %	-
<i>Other special offer</i>	2	1,4 %	3	1,5 %	5	1,5 %	-
<i>Low minimum investment requirement</i>	22	15,9 %	24	12,0 %	46	13,6 %	-
<i>Liquidity of investments</i>	10	7,2 %	3	1,5 %	13	3,8 %	**
<i>Simplicity and easyness</i>	10	7,2 %	10	5,0 %	20	5,9 %	-
No convenience issues	90	65,2 %	134	67,0 %	224	66,3 %	-
Total	138	100,0 %	200	100,0 %	338	100,0 %	

* Years 2001 and 2004 are excluded

8. CONCLUSIONS

This thesis investigates the advertising of Finnish mutual funds during the past decade. More specifically, the content of mutual fund advertisements is examined in terms of the information value of their content and other factors related to efficient advertising techniques and convenience issues influencing the choice of certain service provider or product. The three main questions to be answered are:

- Do the ads provide investors with necessary information to make rational investment decisions? If advertisements are poor in terms of their information value, do they then use techniques found efficient by prior advertising research?
- Does the mutual fund company type affect the content of the advertisements?
- Does the content of Finnish ads deviate from the content of their U.S. counterparts?

To seek answers to the posited questions, a unique data-set is gathered and constructed from two financial magazines *Arvopaperi* and *Talouselämä*. A total sample of 338 different advertisements from eight years is examined to conceptualize the nature of Finnish mutual fund advertisements and to address the possible discrepancies between the ads of bank and non-bank funds. After this, the content of Finnish advertisements is compared to prior findings on the content of U.S. fund ads.

The main results of the study are in line with general consensus of fund ads being rather uninformative in nature (Jones and Smythe, 2003; Huhmann and Bhattacharyya, 2005; Cronqvist, 2006). Necessary information related to risk-return relationship and costs are nearly non-existent in the Finnish ads. Interestingly, it is also found that advertisements neither use efficient advertising techniques widely, conforming to earlier findings of Huhmann and Bhattacharyya (2005). Moreover, a closer examination of bank and non-bank advertisements shows that certain clear deviations exist in respective advertising contents. Non-bank companies include more past performance information, company specifics and cues of expertise and professionalism in their ads. Lastly, the most significant findings of the study relate to the observed differences in U.S. and Finnish advertisements. Although, the prior findings from U.S. as well as the current study indicate that advertisements rarely communicate the risk-return relationship, the differences between the markets are evident.

U.S. fund advertisements seem to discuss significantly more risk-return relationship than their Finnish counterparts. The rest of this chapter summarizes the previously constructed hypotheses and main findings relating to content of advertisements, differences between bank and non-bank advertisements and deviations in contents of Finnish and U.S. mutual fund ads. Finally, the ending section of the chapter is devoted to ideas for future research.

Table 12 summarizes the findings of the study relating to the first set of hypotheses. Against the H1.1 the findings of the study indicate that Finnish fund ads neither discuss the risk-return relationship explicitly nor implicitly. The finding is interesting as the importance of risk-return relationship in financial decision-making is commonly acknowledged. Moreover, several statements of ignorant or unaware investors have been made and the need for educating the private investors has been noted. These issues would suggest that the inclusion of risk-return information in the advertisements should be essential. Additionally, other more indirect cues of risks were investigated. Findings indicate that often the ads include information on fund's geographical orientation or its type, providing investors with some indirect cues of associated risks.

When it comes to communication of costs, the advertisers do no better in terms of the informational value. The significant effects of different costs (e.g. management fees) to investors' terminal wealth have been pointed. However, against the prediction of H1.2, costs are rarely discussed in the ads and most of the communication relates to commission fee special offers. The observed communication of costs merely enables comparison of different products. One rationalization for the lack of risk-return relationship and cost information could be the Internet and fund prospectuses, where all the needed information could be presented without any space constraints. Meanwhile, the print media advertisements would be leaved to general advertising of the companies and guiding of people to other information sources and to the distribution channels. Ironically, the recent news on inadequate information of fund prospectuses and financial advisers raise the question, should the ads still be more information centred? Being in line with H1.3, the observed fund advertisements contain credibility cues that mitigate the issues of distrust among investors. Mostly the information is about the past performance and the expertise of the service provider. Thereby the findings on advertisements' informational value could be concluded to be poor and predominantly relating to information that lowers investors' threshold to give up their money to hands of unknown entities. Additionally, it is found that mostly the observed advertisements provide

product related information in form of its overall nature in terms of geographical orientation or fund type.

Table 12. Summary of findings relating to hypotheses set 1

This table presents the predictions and findings relating to the first set of hypotheses. Panel A presents H1.1-H1.3 on the informational value of the ads and the respective findings. Panel B presents H1.4-H1.6 on perception, readership and convenience issues of the ads with main related findings.

PANEL A: Conclusion on the information content of advertisements	
Statement:	Findings:
H1.1 Mutual fund advertisements include information on risk-return trade-off.	No support found as only 3% of the ads contain explicit communication of risk-return trade-off. If also the more implicit communication of risk-return relationship is counted in, still less than 30% of the ads discuss the relationship. <i>Risk-return trade-off is not communicated in the ads.</i>
H1.2 Mutual fund advertisements include information on costs.	No supporting results found, as less than 35% of the ads discuss associated costs. Additionally, less than 5% of the ads include specific information on management or load fees. <i>Costs are not communicated in the ads.</i>
H1.3 Mutual fund advertisements provide investors with credibility enhancing information.	Some evidence found, as around 56% of the advertisements include some credibility information cues. Moreover, a little under 28% of the ads contain one credibility cue and around 30% of the contain two or more credibility cues. <i>Mutual fund ads contain credibility information.</i>
PANEL B: Conclusion on the used advertising techniques	
Statement:	Findings:
H1.4 Mutual fund ads are at least one full page in size and in full colour	Evidence found, as over 70% of the ads were at least one full page in size and around 57% were in four/full colour. <i>Ads tend to be at least one full page in size and use colours to interest the readers.</i>
H1.5 Mutual fund advertisements include visuals, short copy length, celebrity endorsements, emotional appeals and unique-selling proposals	Only partial evidence on the use of proposed factors relating to visuals of the advertisements (present in 75% of the ads). No strong evidence relating to other factors. <i>Ads do not use readership enhancing factors widely.</i>
H1.6 Mutual fund advertisements will include convenience appeals	No supporting findings, as convenience appeals were present in only one third of the advertisements. Moreover, less than 7% of the ads contained two or more convenience cues. <i>Ads do not include the proposed convenience cues.</i>

With regards to factors and cues relating to perception and readership of the ads, it is found that advertisements appearance is such that it will be noticed more easily, and thereby the findings are in line with H1.4. However, the enhancement of ad readership is done only by use of visuals and as a result H1.5 is rejected. On ground of the found results, the advertising of mutual funds is conservative with no bold statements of the company's superiority or direct comparisons to its rivalries. Despite the prior empirical motivation for disclosing convenience appeals in financial services advertisements, no wide use of convenience appeals is found among the studied mutual fund ads and thereby also the H1.6 is rejected. A clear implication of above results is that advertisements do not use techniques that earlier studies have found to enhance the perception and readership of the ad. The lack of convenience issues is also evident, despite the fact that they are found to positively influence consumer's choice of product or service provider.

The other hypotheses and findings relating to differences between bank and non-bank advertisements and Finnish and U.S. markets are summarized in Table 13. Supporting H2.1, strong evidence is found that non-bank companies use more credibility cues in their ads. The finding is natural as Finnish banks have traditionally enjoyed large base of faithful customers and the institutions are familiar and trusted among the people. However, the smaller non-bank companies not offering any depositary services clearly have the need for highlighting their credibility by several different cues. The main factor of the difference is the communication of company specifics and the inclusion of company sponsored information on past performance.

Regarding the predicted differences between the ads of Finnish and U.S. mutual funds (H3.1) only partial evidence is found. The data of the studies Finnish ads and the comparable prior results from U.S. reveal that the communication of risk-return relationship is more common in the U.S. To be precise, the differences mainly stem from disclosing of the risk-adjusted returns. An explanation for the greater use of risk-adjusted returns could be the fact that in general, the readership of the U.S. ads is more sophisticated, due to the more mature market and the stronger position of brokers in the distribution channel. As the funds are mainly sold through brokers, it is expected that mutual fund companies also target their advertising more to brokers and financial advisors i.e. more sophisticated readers. Thereby the inclusion of such information in U.S. could be more common than in more immature Finnish market, where the funds are mainly marketed to retail investors, as the broker channel is

nearly non-existent. However, no significant difference in the communication of costs is found, although the communication of management fees and tax savings are more frequently communicated in U.S. ads. The implication of the study is that U.S. fund ads seem to contain significantly more information on risk-return relationship and nominally more cost information than their Finnish counterparts.

Table 13. Summary and findings relating to hypotheses sets 2 and 3

This table presents the predictions and findings relating to the hypotheses sets 2 and 3. Panel A presents H2.1 and findings relating to the differences between the bank and non-bank advertisements. Panel B presents H3.1 and findings relating to the differences between Finnish and U.S. advertisements.

PANEL A: Conclusion on the differences between bank and non-bank advertisements	
Statement:	Findings:
H2.1 Bank mutual fund advertisements contain less information on credibility issues than the non-bank advertisements	Strong evidence found, as over 65% of non-bank ads and under 43% of bank ads contain some kind of credibility information (significant difference, $\alpha = 0,01$). Additionally, almost 42% of non-bank ads include two or more cues of credibility, whereas the corresponding proportion of bank ads is less than 9%. <i>Bank advertisements contain less credibility information.</i>
PANEL B: Conclusion on the differences between Finnish and U.S. advertisements	
Statement:	Findings:
H3.1 U.S. mutual fund advertisements contain more information on risk-return relationship and cost issues than Finnish fund ads	Partial evidence found as over 29% of U.S. ads communicate risk-return trade-off explicitly against the 3% of Finnish ads. Moreover, when accounting for more wider explication of the communication, the respective figures are 52% and 29%. No clear difference is found in cost communication between Finnish and U.S. ads. <i>U.S. advertisements generally include more information on risk-return relationship and costs.</i>

The current study has prepared the path for new viewpoint on the research of Finnish mutual funds. Although the design of the study is made by taking the issues of subjectivity into consideration, the reliability of the study could be further enhanced by the use of several coders. Additionally, several coders would also enable the inclusion of more subjectively interpreted elements in the coded variables. During the process of the study in question, it has

been found that in case of Finnish market, several years have to be included in the study to get proper sample in terms of different observations. This thesis brought up the differences in the advertising in different time periods only partially and thereby a more thorough investigation of the advertising contents in bullish and bearish market conditions would be interesting. The future studies could also focus on following viewpoints. Firstly, the content analysis study could be taken further by analysing the observed advertising contents in light of actual characteristics of the advertising company or the fund. More specifically, the relations between fund family's or advertised fund's overall past performance, expense ratios or the product offering of the company could be compared to the observed contents of their advertisements. Secondly, the influence of advertisements' content on investors' decision making could be investigated. In other words, it would be engrossing to examine how investors' interpret different information peaces from the advertisements. Is the good past performance information as powerful as it seems? How do investors interpret the communication of risks and returns i.e. are the advertisements misguiding investors? Or finally, what is the level of financial literacy among Finnish retail investors – do investors actually know what these different information peaces mean in the advertisements?

Due to the limits of time and sound scope of the thesis the suggested routes for expanding the study of advertisements could not be included in this paper. However, on ground of the lessons learned in this process, the suggested directions for future research are tempting. I hope that the current study could act as an incentive for future research and flourishes further and more in-depth research work of the advertising content and its influence on investors' decision making.

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Appendix A: Examples of observed advertisements

Appendix 1 presents examples of observed bank and non-bank advertisements from different time periods. Additionally, the following sections present an illustration of their coding in terms of different informational elements, factors of perception, readership and the convenience issues. The relating advertisements can be found in the end of the paper.

Advertisement 1: Arctos, non-bank mutual fund family (Talouselämä 1/1998)

In overall, the advertisement in question represents rather well the sample of ads in 1998-2000 by its poorer appearance in terms of visualisation and colouring, but also in terms of its greater information content when compared to observations from later periods.

Coding:

Risk-return relationship is coded to be discussed implicitly. More specifically, both risks and returns are coded to be communicated in general terms, as the ad includes several products with differing discussion of the risk-return relationship. Also the figure in upper-right corner illustrates the risk-return relationship between the different Arctos' products. Costs are not discussed in the advertisement. Credibility information is discussed in terms service providers expertise and company sponsored information on past performance, which is presented in absolute terms for the last year. Also the average return per annum since the establishment of the fund is presented. One of the funds includes a figure with benchmark index, although it is presented only as "benchmark index" with no specific name. Other risk related cues are communicated by discussing the fund type, its geographical orientation, their more specific description and mentioning the time viewpoint or suggested investment horizon.

Advertisement was also coded as one full page in size and as three-colour ad. The visuals are present and cover one third of the ad. Advertisement includes over 100 words. The advertisement does not contain emotional appeals, celebrity endorsements or unique-selling propositions. Convenience issues are present in form of liquidity of the investments. Also the personal service appeal is used as the ad encourages the reader to call for additional information from the experts of the service provider.

Advertisement 2: Gyllenberg, non-bank mutual fund family (Arvopaperi 10/1999)

The advertisement has a few typical characteristics of a non-bank company of the period 1998-2000. The advertisement does not use visuals, presents more than one fund and stresses their past performance.

Coding:

Risk-return relationship is coded to be discussed implicitly. More specifically, risks and returns are communicated to be higher than in normal funds. Costs are not discussed in the advertisement. Credibility information is brought up in form of company sponsored information on past performance. The performance figures are presented in absolute and per annum terms. No benchmark is used. Other risk related cues are communicated by discussing the suggested investment horizon, geographical orientation and more detailed description of funds investments. Allocation specifics are not present.

Advertisement was coded to be half a page in size and to be in four-/full-colour. There are no visuals in the ad. Advertisement contains more than 100 words. Unique-selling propositions as both of the ads are stated to be the best or produce highest returns of their control group. No emotional appeals or celebrity endorsements are present. No convenience issues are present.

Appendix A: Examples of observed advertisements

Advertisement 3: Merita, bank mutual fund family (Arvopaperin sijoitusrahasto-opas 1999)

In this ad, the topical characteristics of bank advertisement come up in form of the ease of investing, the low minimum investment requirement and the liquidity of the investments.

Coding:

Advertisement of mutual fund services in general. No information on risk-return relationship or costs. No credibility enhancing information is present. No any information on time viewpoint or investment policies.

Advertisement was coded as a half a page in size and as black & white ad. Visuals are present and cover one half to two thirds of the ad. Copy length is 50-100 words. The advertisement does not contain emotional appeals, celebrity endorsements or unique-selling propositions. Convenience issues are present in form of small minimum investment requirement and the liquidity of the investments.

Advertisement 4: Mandatum, bank mutual fund family (Arvopaperi 11/1999)

This bank advertisement represents minority of bank advertisements as it includes the past performance information and also the independent rating information that the company has extracted from the publications of independent entity. As the bank in question is smaller in size, it has also included its branch offices in the ad.

Coding:

Risk-return relationship is communicated explicitly; as it is brought up that the fund in question has the best risk-return relation (Sharpe ratio) according to independent information source. Costs are not discussed in the ad. Credibility information is communicated in form of fund's past performance presented as company sponsored and independent information. The historical returns are presented in per annum terms, with benchmark index. Time viewpoint, allocation specifics and fund description are present.

Advertisement was coded as a half a page in size and as black & white ad. Visuals are present and cover one third to less than one half of the ad. Copy length is 50-100 words. Unique-selling proposition is present, as it is claimed that the fund has the best return to risk over particular period. The advertisement does not contain emotional appeals, celebrity endorsements or any pre-determined convenience cues.

Advertisement 5: Odin, non-bank mutual fund family (Arvopaperi 8/2005)

Very uncommon advertisement type with information on volatility (only one in the whole sample), Sharpe ratio and peculiar disclose of absolute historical returns.

Coding:

Advertisement communicates risk-return relationship explicitly by including Sharpe ratio. Costs are not discussed. Credibility information is present in form of historical returns, which are presented in absolute terms over 10 years.

The advertisement is coded as less than quarter of a page in size and as three colour ad. The copy length is less than 50 words.

Appendix A: Examples of observed advertisements

Advertisement 6: Carnegie, non-bank mutual fund family (Arvopaperi 5/2002)

This ad represents well the group of non-bank advertisements as it includes company specifics and several funds. Also the Morningstar ratings are used.

Coding:

Advertisement presents several products and company in general. No information on risk-return relationship or costs is present. Credibility information appears in form of five-star Morningstar ratings of the funds, expertise/professionalism and company specifics, as also the number of their professional employees and assets under management are mentioned.

Advertisement is coded as being one full page in size and in three-colour. Copy length is under 50 words.

Advertisement 7: Tapiola, bank mutual fund family (Arvopaperi 10/2002)

In this ad, the typical cost communication of the Finnish fund advertisements is presented in form of commission fee special offers of all 16 funds of the company. Noteworthy is also the fact that the advertisement is published in 2002 when the fund companies faced challenges in terms of fund inflows.

Coding:

Advertisement is about the fund family in general. No information on risk-return relationship is present. Costs are communicated as commission fee special offer is announced for all the fund family's funds for a certain period. Additionally, the advertisement discusses the cost efficiency of the company in general. Credibility information is present in form of expertise and professionalism that is said to be in customer's use when being a customer of Tapiola. Furthermore, the advertisement mentions company values or main principles behind company's investments as "our long-term and orderly investment strategy balances our funds even during complicated market conditions".

The advertisement is also coded as being one full page in size and in full-colour. The copy length is coded as under 50 words. Visuals are present and cover one half to two thirds of the advertisement. No additional information is recorded as present.

Advertisement 8: Odin, non-bank mutual fund family (Arvopaperi 10/2006)

In this ad, the nature of the latest observations is present in form of larger size of visuals and minimal product information. Topical non-bank ad aspects of expertise and past performance information are also present.

Coding:

Advertisement does not include information on risk-return relationship or costs. Credibility information is present in form of experience and professionalism cue and company sponsored information on past performance. Benchmark index is included. Information on fund's geographical orientation is present. Yet, other risk related information on time viewpoint or more specific information on fund's investment policies are not present.

Advertisement was also coded as one full page in size and as full-colour ad. Visuals are present covering one half of the ad. Copy length is short, under 50 words. No celebrity endorsements or unique-selling propositions are present. Neither are convenience cues present.

Appendix A: Examples of observed advertisements

Advertisement 9: OP, bank mutual fund family (Arvopaperi 5/2007)

Large visual size, focus on single and new fund, with only a few informational cues on fund's investment policies make this ad as an good example of latest bank advertisements.

Coding:

No communication of risk-return relationship, costs or credibility information is present. Fund type and its investments are further specified. However, no information on suggested investment horizon, allocation specifics or geographical orientation is present (despite the name of the fund).

Ad was coded as one full page in size and to be in full-colour. Visuals are present and cover over one third of the advertisement. Text length is less than 50 words. No additional factors that enhance the readership are used. No convenience cues are included.

Advertisement 10: Fim, non-bank mutual fund family (Talouselämä 7/2007)

This ad is rather unusual in context of Finnish mutual advertising, since it is part of large campaign of the service provider, which is to great extent pure image marketing, with slogan of the fund company. Similar kind of advertising is not exercised by other non-bank fund families during the investigated time horizon. However, also the commission fee special offers are mentioned.

Coding:


Advertisement of the fund family in general. No information on risk-return relationship. Costs are communicated by mentioning the commission fee special offer. No further information is provided.

Advertisement was coded as one full page in size and as a full-colour ad. Visuals are present and cover over two thirds of the ad. Copy length is under 50 words. No convenience cues are present.

Appendix A: Examples of observed advertisements

Advertisement 1: Arctos, non-bank fund family (Talouselämä 1/1998)

Uusi sijoitusstrategia. Uusien mahdollisuuksien korkorahasto.




Arctosin rahastot

Arctos Julkisyhteisö

5,3% Tuotto 31.12.1996-31.12.1997
Tuotto on korjattu voitto-osuudella

— Arctos Julkisyhteisö — Vertailaindeksi



Ennen 10.12.1997 PCA-Sampo Julkisyhteisö
Keskimääräinen vuosituotto toiminnan alusta lokaan (8.11.1995) 8,9% p.a.

Arctos Julkisyhteisö on Suomen markkinoilla uudentyyppinen korkorahasto. Arctos Julkisyhteisö hyödyntää Suomen korkokäyrän muotoa siten, että salkun kokonaistuotto pidetään sillä kohdalla korkokäyrää, jossa saavutetaan optimaalinen tuotto/riski -suhde.

Rahaston duraatio voi vaihdella korkomarkkinoiden kehityksen mukaisesti aina yhden kuukauden rahamarkkinainstrumentin ja PSP:n valtionobligatioiden duraatioiden välillä. Näin pyritään saavuttamaan rahamarkkinasijoituksia parempi tuotto obligaatiomarkkinoita pienemmällä riskillä. Tämä on uutta suomalaisissa korkorahastoissa.

Arctos Julkisyhteisö sijoittaa varansa Suomen Valtion, suomalaisten kuntien ja kuntayhtymien liikkeeseenlaskemiin luottoriskittömiin korollisiin arvopapereihin ja rahamarkkinainstrumentteihin.

Arctos Julkisyhteisö on hyvä keskipitkän likviditeetin sijoituskohte yrityksille ja yhteisöille. Rahasto-osuus voidaan kuitenkin muuttaa rahaksi jopa yhdessä päivässä.

Arctosin rahastoilla on tarjota monipuolisia vaihtoehtoja alhaisen riskitason likvidiin korkosijoittamiseen. Soita ja pyydä rahastosite. Se kannattaa.

Arctos Fenno

7,1% Tuotto 31.12.1996-31.12.1997
Keskimääräinen vuosituotto toiminnan alusta lokien (7.6.1994) 11,9% p.a.

Obligaatiot, joukkovelkakirjat ja pitkän aikavälin velkasitoutumukset voivat tarjota huomattavasti parempaa tuottoa kuin lyhyen ajan markkinat, mutta hieman korkeammalla lyhyen aikavälin riskillä. Arctos Fenno on korkorahasto, joka sijoittaa varansa vain luottoriskittömiin suomalaisiin korollisiin arvopapereihin ja velkasitoutumuksiin kuten valtion ja kuntien obligatioihin. Arctos Fenno hakee aktiivisesti optimaalista korkotuottoa muuttamalla sijoitustensa maturiteettia tutkimusten perusteella muodostetun korkonäkemyksen mukaan.

Arctos Markka

2,8% Tuotto 31.12.1996-31.12.1997
Keskimääräinen vuosituotto toiminnan alusta lokien (6.5.1996) 3,3% p.a.

Lyhyen juoksuajan rahamarkkinainstrumentit tarjoavat pankkitalletusta paremman tuoton ilman sitoutumista pitkiin määräaikoihin. Lyhyillä korkomarkkinoilla riskit ovat huomattavasti pienemmät kuin joukkovelkakirjamarkkinoilla. Arctos Markka on helppo ja joustava vaihtoehto pankkitalletuksille* niin yrityksen kassanhallinnassa kuin yksityishenkilöidenkin omaisuudenhoidossa. Arctos Markkan rahasto-osuus on muutettavissa rahaksi aina tarpeen vaatiessa, ilman mitään määräaikoja.

* Pankkitalletuksella on laissa määritelty talletussuoja.

Arctos Rahastot. Aina ajan tasalla.

Soita meille ja tilaa rahastosite. 09-5499 3355.

Arctos Rahastoyhtiö Oy, Aleksanterinkatu 44, 00100 Helsinki

ARCTOS
ARCTOS RAHASTOYHTIÖ OY

Appendix A: Examples of observed advertisements

Advertisement 2: Gyllenberg, non-bank fund family

(Arvopaperi 10/1999)

PARHAITA TUOTTOLOKUKUJA 1999 PITKÄJÄNTEISELLE SIIJOITTAJALLE

**Paras Suomeen sijoittava
rahasto kahden vuoden vertailussa**

Gyllenberg Momentumin tuotto-odotus ja riski ovat korkeampia kuin perinteisissä sijoitusrahastoissa. Rahasto sopii erityisen hyvin kokeneille ja pitkäjänteisille sijoittajille.

Gyllenberg Momentum

40,9%

p.a.

Historiallinen tuottokehitys ei ole tar tulevaisuuden tuottokehityksestä.

**Paras maailmanlaajuisesti
sijoittava osakerahasto**

SEB Lux (F) Teknologifond sijoittaa varansa maailmanlaajuisesti korkean teknologian aloilla toimivien yritysten osakkeisiin ja osakesidonnaisiin arvopapereihin. Rahasto on sekä yhden, kolmen että viiden vuoden vertailussa tuottoisin maailmanlaajuisesti sijoittavista osakerahastoista Suomessa.

SEB Lux Teknologifond

83,3%

Historiallinen tuottokehitys ei ole tar tulevaisuuden tuottokehityksestä.

Koska rahastosäästäminen on pitkän tähtäimen sijoittamista, suosittelemme aina osakkeita sisältäviä rahastoja. Jos haluat osakerahastoja alhaisemman riskin, yhdistelmärahastomme ovat hyvä ratkaisu.

Uusi kiinnostava sijoituskohte on Gyllenbergin emoyhtiön SEB:n hallinnoima Internet-rahasto, joka käynnistyi 15.6.99. Tuottokehitys 30.9.99 mennessä oli peräti 46,25 %.

*Lisätietoja ja rahastoesitteet
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palvelunumerostamme
9800-21911
www.gyllenberg.fi

GYLLENBERG

Funds

Gyllenberg Rahastoyhtiö Oy, Aleksanterinkatu 44, 00100 Helsinki
Puh. (09) 131 551, fax 1315 5222

- Sijoitusrahastot • Sijoitusneuvonta • Räätiöity omaisuudenhoito
- Sijoituskonsultointi • Arvopaperisäilytys • Pankkitilit

Advertisement 3: Merita, bank fund family

(Arvopaperin sijoitusrahasto-opas 1999)

€ EUROAJASSA MERITA PANKKI

Katso, rahastosäästäjä vaurastuu.

Jo muutama satanen kuussa riittää. Rahastosäästämisessä pikkusummat tekevät töitä tulevaisuutesi hyväksi. Tee nyt vaivaton rahastosäästösohutus itsellesi tai läheisesi Merita Pankissa. Sijoitamme haluamasi summan joka kuukausi valitsemaasi sijoitusrahastoon. Rahastosäästöt voit muuttaa rahaksi milloin tahansa.

Kysy lisää lähimmästä konttoristamme tai asiakaspalvelustamme (ma-pe klo 8-20) puh. 0800 123 123.
Internet: www.merita.fi/rahasto


Ps. Myös rahastosäästäjänä voit hyötyä Merita Pankin uusista asiakaseduista.

Merita
MeritaNordbanken

Appendix A: Examples of observed advertisements

Advertisement 4: Mandatum, bank fund family (Arvopaperi 11/1999)

Suomen paras tuotto suhteessa riskiin*



*Lähde: HEX Helsingin Pörssi, rahasto-raportti 11/1999. Paras tuotto-riski suhde mitattuna Sharpen-mittarilla kaikista Suomeen rekisteröidyistä kotimaahan tai ulkomaille sijoittavista rahastoista 12 kk.

Sijoitusrahasto Mandatum Neutral

Sijoitusrahasto Mandatum Neutralin suuri suosio perustuu siihen, että sen arvo on noussut tasaisesti jopa aikoina, jolloin osake- ja obligatiomarkkinoilla on ollut myrskyisää.

Rahasto sijoittaa vähintään 85 % turvaavasti, esimerkiksi lyhyisiin valtion obligaatioihin. 15 %:lle rahasto etsii alihinnoiteltuja kohteita kuten edullisia listautumisanteja (viimeksi Data Fellows). Nämä sijoitukset suojataan pääsääntöisesti yleiseltä kurssien laskulta.

Keksitkö parempaa sijoituskohteita vaikkapa yhdeksi vuodeksi?



Uuden Mandatum Neutral -rahaston keskimääräinen vuosituotto 15.10.98–16.11.99. Historiallinen kehitys ei ole tae tulevasta kehityksestä.

Rahastoesite saatavilla konttoreista ja puhelinpankista numerosta 0800-0-4226.

MANDATUM
PANKKI • BANK

HELSINKI • JYVÄSKYLÄ • KUOPIO • LAHTI • OULU • TAMPERE • TURKU • VAASA
PUHELINPANKKI: 0800-0-4226 ma-pe 8.00–19.00

Advertisement 5: Odin, non-bank fund family (Arvopaperi 8/2005)



ODIN Finland

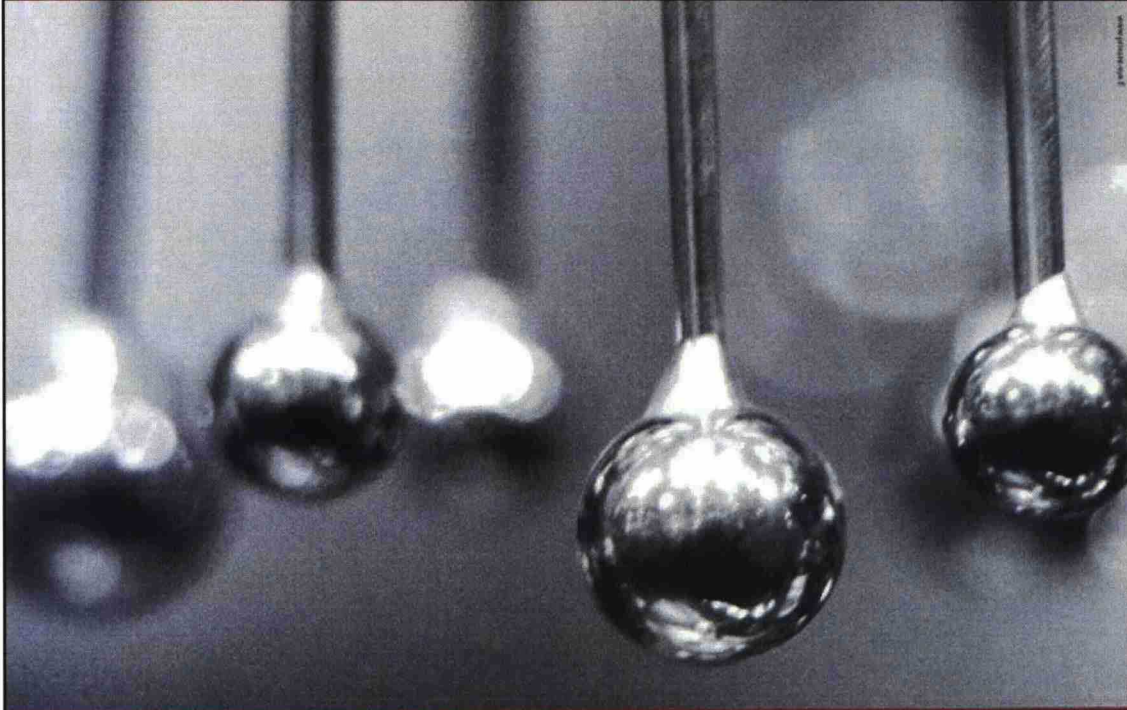
Tuotto perustamisesta 27.12.1990 lähtien 2523 %.
Volatiliteetti 8,6 % ja Sharpen mittari 4,2.

Tiedot per 31.7.2004.
Historiallinen kehitys ei ole tae tuleville tuotoille.

www.odin.fi | puh. 010 5501 412

Appendix A: Examples of observed advertisements


Advertisement 6: Carnegie, non-bank fund family (Arvopaperi 5/2002)



Täydet viisi tähteä!

Morningstar-rahastoluokitusyhtiö antoi Carnegien rahastoille korkeimman laatuluokituksen.

- Carnegien viiden tähden rahastot:
Carnegie Plus
Carnegie WorldWide
Carnegie Medical
- Ota yhteyttä! Sijoitusasiantuntijamme kertovat mielellään lisää viiden tähden rahastoistamme.
- Carnegie on Pohjoismaiden johtava investointipankki. Carnegieella työskentelee lähes 1000 sijoitusalan ammattilaista ja rahastoissamme on yli 400 000 pohjoismaista asiakasta. Hoidettavat varat ovat noin 10 miljardia euroa.

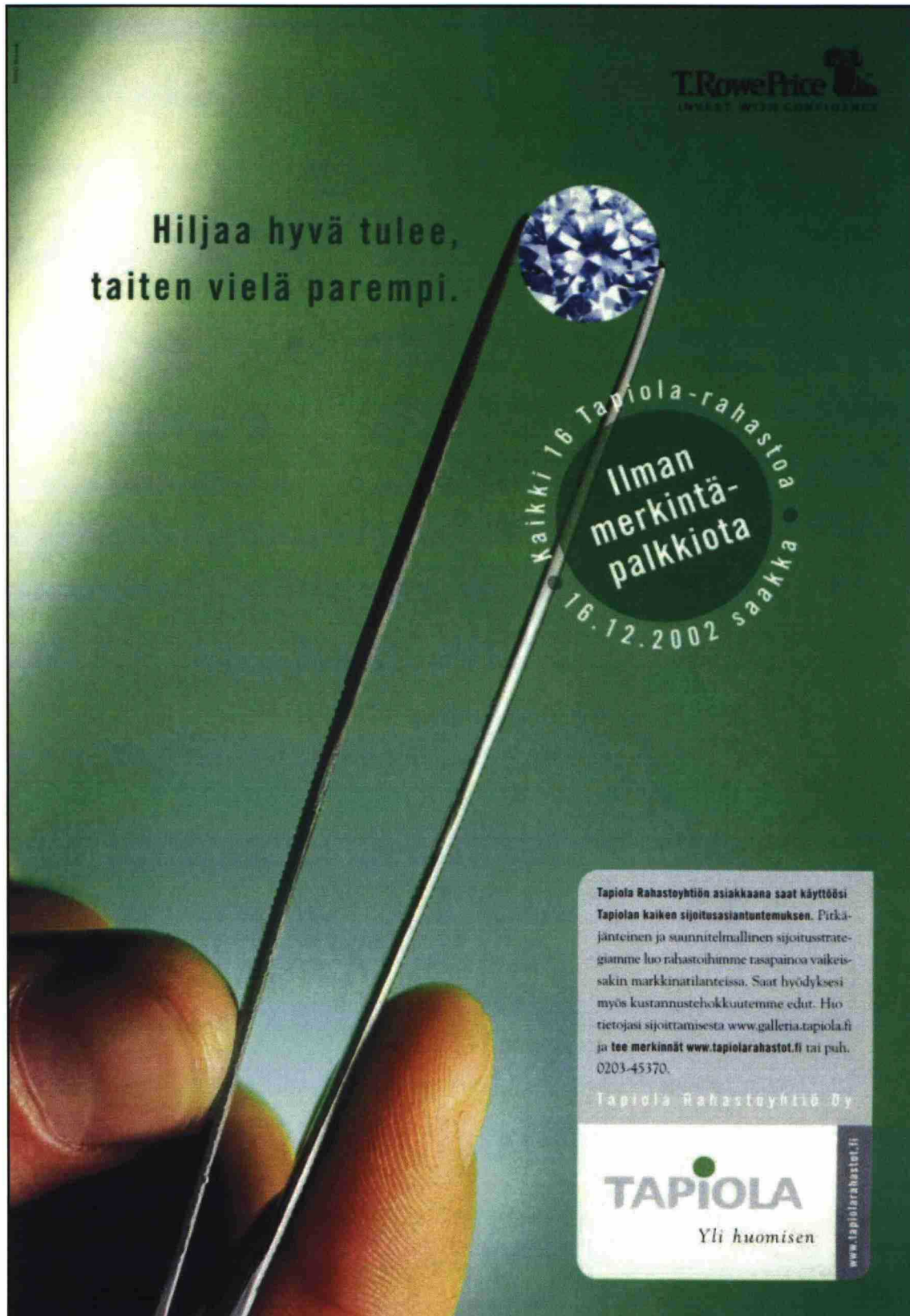


VARAINHOITO | SIOJITUSRAHASTOT | INVESTMENT BANKING | SECURITIES

Keskuskatu 1 B | PL 46 | 00131 Helsinki | puh. 09 6187 1400 | fax 09 6187 1401 | www.carnegie.fi

Appendix A: Examples of observed advertisements

Advertisement 7: Tapiola, bank fund family (Arvopaperi 10/2002)



Tapiola Rahastoyhtiö

T.RowePrice
INVEST WITH CONFIDENCE

**Hiljaa hyvä tulee,
taiten vielä parempi.**

Kaikki 16 Tapiola-rahastoa
**Ilman
merkintä-
palkkiota**
16.12.2002 saakka

Tapiola Rahastoyhtiön asiakkaana saat käyttöösi Tapiolan kaiken sijoitusasiantuntemuksen. Pitkäjänteinen ja suunnitelmallinen sijoitusstrategiamme luo rahastoihimme tasapainoa vaikeissakin markkinatilanteissa. Saat hyödyksesi myös kustannustehokkuutemme edut. Hio tietojasi sijoittamisesta www.galleria.tapiola.fi ja tee merkinnät www.tapiolarahastot.fi tai puh. 0203-45370.


Tapiola Rahastoyhtiö Oy

TAPIOLA
Yli huomisen

www.tapiolarahastot.fi


Appendix A: Examples of observed advertisements

Advertisement 8: Odin, non-bank fund family (Arvopaperi 10/2006)



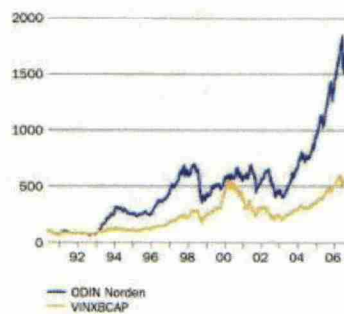
ODIN RAHASTOT

ODIN Norden poimii pohjoismaiset helmet




Pohjoismaat ovat olleet ODINin kotimarkkina jo yli 16 vuotta. Pohjoismaiden toimialarakenteissa on suuria eroja ja saat sijoituksesi täten hyvin hajautettua. Hyödynnä vankka kokemuksemme ja anna ODINin salkunhoitajien löytää sinulle huomispäivän voittajat.

Historiallinen kehitys ei ole taatun tuleville tuotoille.



Vuosi	ODIN Norden	VINXCAP
92	100	100
94	200	100
96	300	100
98	500	200
00	600	300
02	500	300
04	1000	400
06	1800	500

ODINin edustaja Suomessa:
Rahastotori Oy, Veritas-ryhmä
Eteläinen Hesperiankatu 10, 00100 Helsinki
Puh. 010 5501 412
odin@veritas.fi www.odin.fi



ODIN

Appendix A: Examples of observed advertisements

Advertisement 9: OP, bank fund family (Arvopaperi 5/2007)



A man with dark hair is looking down at a document. The document has a red header with the text "OP-Eurooppa Osinko" in white. The background is a blurred indoor setting.

Älä kerro muille.

OP-Eurooppa Osinko on uusi osakerahasto, joka tavoittelee vakaata ja korkeaa osakemarkkinatuottoa. Rahastoon valitaan hyvää osinkoa maksavia ja kannattavuudeltaan vahvoja yhtiöitä, jotka ovat jatkuvasti järkeviä sijoituskohteita. Lisätietoja osoitteesta **op.fi** tai soita **OP 0100 0500**.

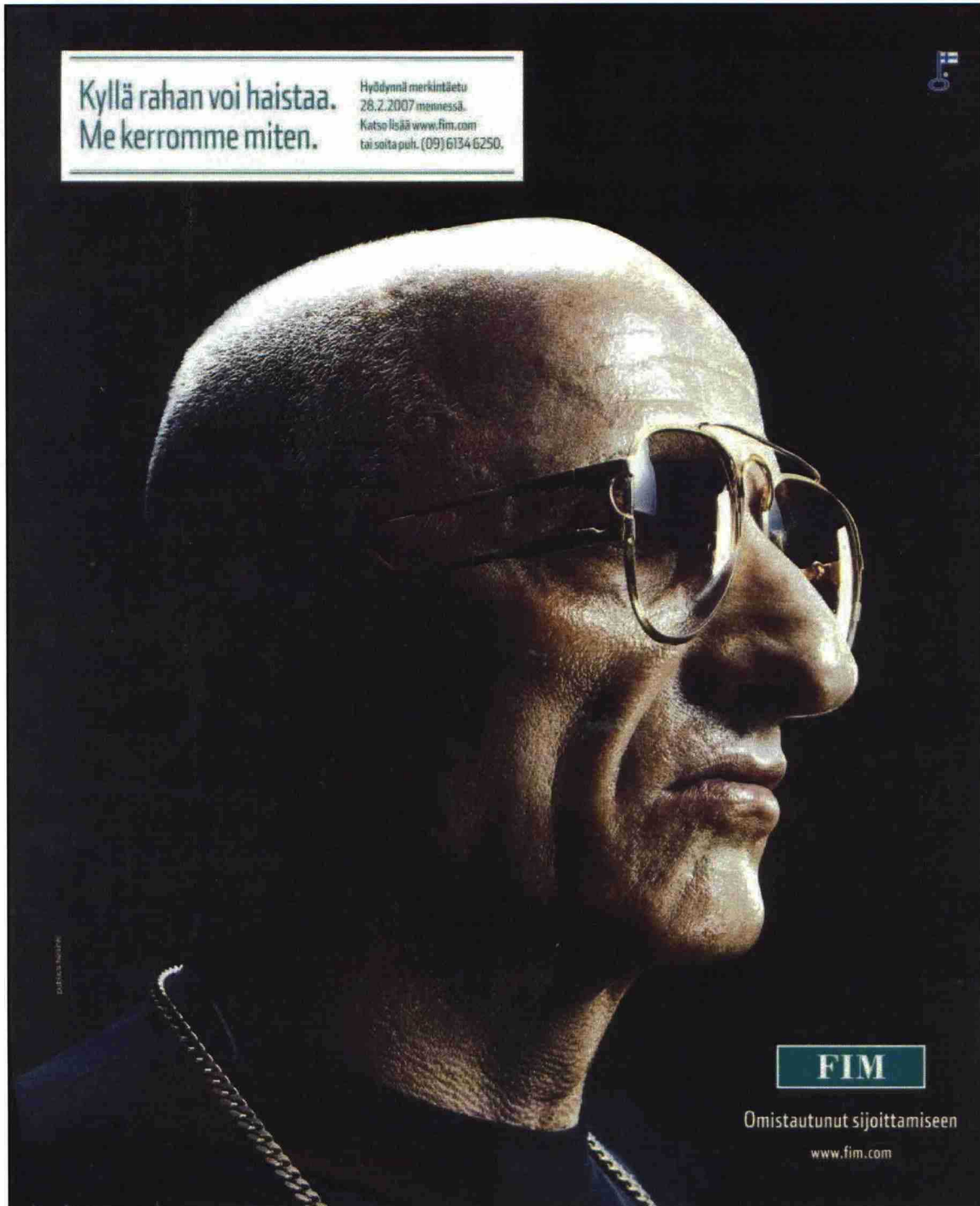
Etua elämään



OP-sijoitusrahastoja hallinnoi OP-Rahastoyhtiö Oy.

Appendix A: Examples of observed advertisements

Advertisement 10: Fim, non-bank fund family (Talouselämä 7/2007)



Kyllä rahan voi haistaa.
Me kerromme miten.

Hyödynnä merkintäetu
28.2.2007 mennessä.
Katso lisää www.fim.com
tai soita puh. (09) 6134 6250.

FIM

Omistautunut sijoittamiseen
www.fim.com

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